INVESTMENT BANKERS ASSSOCIATION CONVENTION ISSUE

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EDITORIAL

As We See It

Once again Congress and the country are about to be plunged into a typical tariff controversy with the usual differences of opinion and often bitterness. The Trade Agreements Act of 1934, as often amended, expires next June, and it is the desire of the Administration, and of course, of others interested in freer international trade that something be done to prevent a return to the schedules of the 1930 Act, ameliorated only by such negotiated alterations as are now in effect and would survive a failure of any continuation of the present law authorizing administrative changes in the statutory rates. In several respects, however, the protectionists have grown progressively dissatisfied with tariff schedules negotiated under the Act of 1934, and are said to be prepared to put up the fight of their lives to prevent the Administration having its way with a proposed new law which in broad effect would continue present arrangements for a number of years.

Of New Deal Origin

The Trade Agreements Act is of New Deal origin. It was the wily Franklin Roosevelt who came forward early in his first administration with the idea that Congress might and ought to be persuaded to "pass the buck" to the Administration in this matter of reducing tariff rates, and that in this way it might be possible to get a better working arrangement than could be hoped for if each and every rate in a complicated tariff schedule had to be debated and finally adopted by a Congress divided, as Congresses always are, on the subject of protectionism and

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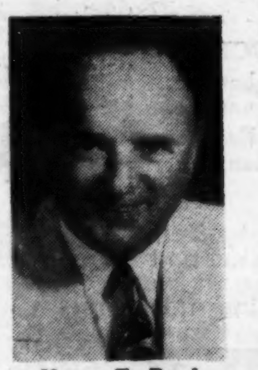
U. S. Economic Stability Key to Free World Security

By HONORABLE HARRY F. BYRD*

U. S. Senator From Virginia

Senator Byrd denies he would "sacrifice security worshipping a balanced budget" in "preaching" we should first cut non-essential federal spending to permit necessary military effort prior to contemplating deficit financing and increased taxes — short of war — with its concomitant threat to our fiscal and economic strength. Advocates Congress write a limitation on expenditures, reduce foreign economic aid and emphasize more military assistance, and revamp defense outlays. Warns we cannot play the Communist game of destroying ourselves by "our own extravagances."

We are in a situation of vital concern to every one in this nation. All of us know the tremendous events which have occurred, one after the other, in the past three months, since Congress adjourned. Within a week I have conferred with the Secretary of Treasury on the fiscal situation, attended a 3-day session of Senate Armed Services Subcommittee on the military situation, and participated in a 5-hour White House Conference with President Eisenhower on the legislative situation.



Harry F. Byrd

These meetings were all enlightening, and conditions were explained with the utmost frankness. Much of what we were told was classified, but I can say that never in my long experience as a United States Senator have I received so much disappointing information in such a short time. From all of the bad news there is one encouraging fact. Sputnik has shaken us out of our complacency. Our great country will now move forward, I believe, as rapidly as possible to regain the ground we have lost. It is not my purpose

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*An address by Senator Byrd before the National Association of Manufacturers, New York City, Dec. 5, 1957.

The Investment Bankers Association of America Holds 46th Annual Convention

Meeting at Hollywood, Fla., Dec. 1-6, amidst changing business and national defense conditions, hears addresses by incoming President William C. Jackson, Jr.; outgoing President Robert H. Craft; Canadian Finance Minister Donald M. Fleming; Richard S. Reynolds; Edward N. Gadsby; John H. Stambaugh, and George S. Trimble, Jr. Text of these addresses, also Committee Reports and other Convention developments are presented in this issue.

The Investment Bankers Association of America held its 46th Annual Convention at Hollywood, Fla., from Dec. 1-6. William C. Jackson, Jr., President, First Southwest Company, Dallas, Texas, was elected President of the Association for the forthcoming year. He succeeds Robert H. Craft, President, Chase International Investment Corporation, wholly-owned foreign financing subsidiary of The Chase Manhattan Bank, New York. The Association also elected five vice-presidents: William M. Adams, Braun, Bosworth & Company, Detroit; J. Earle Jardine, Jr., William R. Staats & Co., Los Angeles; William D. Kerr, Bacon, Whipple & Co., Chicago; W. Carroll Mead, Mead, Miller & Co., Baltimore; William H. Morton, W. H. Morton & Co., Incorporated, New York.

W. C. Jackson, Jr.

THE NEW PRESIDENT

Except for three and one-half years with the U. S. Navy during World War II, Mr. Jackson has

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IBA CONVENTION PICTURES—Candid photos taken during the 46th Annual Convention of the Investment Bankers Association of America at Hollywood Beach Hotel, Hollywood, Fla., appear in Section Two of today's Issue.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

WARREN E. BUFFETT
Manager—Several Private Investment Groups
Omaha, Nebr.

HOME PROTECTIVE CO.
(A Life Insurance Stock)

Home Protective Co. probably represents the last "undiscovered" equity security of a major life insurance company. This lack of investor awareness causes the security to sell at less than half of the lowest price-earnings ratio placed on comparable companies. Home Protective is currently selling at less than four times earnings. Any education of investors to the facts concerning the company should result in a substantially higher appraisal.

Warren E. Buffett

Home Protective has only 61,463 shares of stock outstanding. The company owns 98½% of the outstanding stock of the Home Life Insurance Co. of America, a leading Pennsylvania insurer with over 400,000 policyholders. After allowing for inter-company items, Home Protective has very little in the way of other assets and liabilities. As a practical matter, with only 1½% of the stock of Home Life held by others, Home Protective Co. is the Home Life Insurance Co. of America from a stockholder standpoint.

Whereas some years back the company had a very dubious financial position, strict adherence to the highest standards of investment in the placement of new funds plus utilization of retained earnings in very substantial charges against over-valued assets have given Home a very strong financial picture. While in 1946 government-guaranteed mortgages only accounted for about 13% of assets, they now represent over 50% of assets which is greatly above the industry average. During the same period the average rate earned on assets has increased from 2.04% to 3.60%. This gain based on present assets of $1,100 per share amounts to over $16 per share annually.

Home's business is entirely non-participating. The stockholder need make no guesses as to what belongs to him and what really belongs to the policyholder. Currently Home has close to $300 million of insurance in force with practically no low-profit group. The business is almost entirely ordinary and industrial with the latter fully as profitable as the former. The lapse ratio of the company has been very low indicating well-seasoned business and experienced mortality has been excellent.

Dividends have been small while the company has been writing down assets to realistic values and the 50-cent annual rate will probably be continued for some years while the capital base is enlarged in line with the amount of business on the books. However, the earnings power has been maintaining a steady march upward and with a continuation of higher yields, low lapsation and favorable mortality, a greater base of business should create further increases in earnings. With each share of Home Protective representing $1,100 in assets, a ½ of 1% change in interest rates represents a $5.50 per share change in earning power. While it takes considerable time to be fully effective, we have witnessed such a change within the past year and it has not yet been reflected in Home's earnings.

The company possesses an additional "kicker" in large holdings of contiguous undeveloped land on the Main Line in Philadelphia. Given proper zoning such holdings can have substantially greater value, particularly when related to only 61,463 shares outstanding.

Adjusting for changes in insurance in force at conservative rates, the following earnings are indicated for the past six years:

Year	Adjusted Earnings per Share
1951	$9.92
1952	12.12
1953	12.25
1954	15.08
1955	18.42
1956	22.62

A continuation of such increases which appears likely added to greater investor recognition should provide substantial capital gains to today's buyer at the 85 level in the Over-the-Counter market.

G. SHELBY FRIEDRICHS
Partner: Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.
Members, New Orleans Stock Exchange and Midwest Stock Exchange

Southdown Sugars, Inc.

The security I like best offers stability, high intrinsic value and built-in growth of income which should have appeal during this time of unsettled market conditions, generally.

G. Shelby Friedrichs

Southdown Sugars, Inc., owns in fee over 46,000 acres of land located in the most attractive on-shore area for the exploration of oil and gas in the United States — south Louisiana. Although operating a stable and profitable cane sugar business, the mineral income, after taxes, from acreage leased to major oil companies last year exceeded net income from sugar operations, and will increase materially over the coming years. Southdown Sugars enjoys the advantages of participation in the results of production operations on its fee acreage without assuming any of the attendant risks. In addition, the land value of much of Southdown's property for industrial, commercial and residential purposes, adds substantially to the intrinsic value of the stock.

The company is basically a completely integrated producer and refiner of cane sugar, operating three raw sugar factories and one refinery. Southdown has approximately 18,000 acres of cultivable land and purchases cane from other growers to supply the capacity requirements of its sugar factories. The company also imports Cuban raw sugar to fill refinery requirements. Income from this operation has been in the neighborhood of $1,500,000 per annum, before taxes.

The exploration for oil and gas in south Louisiana, dating back to the early 1930s, has had a marked effect on the company. Nearly all of the 46,000 acres of fee land have been under lease to major oil companies in recent years, and Southdown has been receiving royalty income since the discovery of the Gibson Field in Terrebonne Parish in 1937. Lease and royalty income has increased from $550,500 to $1,275,000 (before taxes) in the last five years (average 26% per annum) and gives every indication of continuing to increase at approximately this rate.

The development of the oil and gas industry, combined with the discovery of substantial sulphur deposits, plus large reserves of salt and an ample supply of fresh water, have combined to make south Louisiana a center for the petro-chemical industry. Plans have been announced by such companies as Dow Chemical, W. R. Grace, Kaiser Aluminum, Olin revere and duPont for the investment of more than $250 million in plants located along the Mississippi River between New Orleans and Baton Rouge. Additions to the world's largest oil refinery — Esso's Baton Rouge plant—to the Shell plant at Norco and to Standard Oil of Indiana's refinery at Destrehan have also served to further industrialize this area. The discovery of oil and gas in the Gulf of Mexico, off the Louisiana coast, has also served to intensify activity in this area and has brought considerable expansion in oil field equipment and allied industries.

The result of all of this has been to bring about much improvement in land values, particularly those situated along strategic waterways, such as the Mississippi River, the Intra-Coastal Canal, etc., and the major highways. This influx of industry has also brought substantial increases in the population of the area, adding to the values of land for residential purposes. Approximately 13,000 acres of Southdown's land is located on the Mississippi River and all of the remainder is traversed by either main highways or other waterways, or both.

In an attempt to measure the intrinsic values that have thus been created, my firm (after consultation with oil geologists and land men and real estate experts) has made the accompanying appraisal of Southdown's properties. The values attributed are of the "horse-back variety and take into consideration mineral values as well as surface values. In my

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This Week's Forum Participants and Their Selections

Home Protective Company—Warren E. Buffett, Manager — Several Private Investment Groups, Omaha, Neb. (Page 2).

Southdown Sugars, Inc. — G. Shelby Friedrichs, Partner, Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La. (Page 2).

The Outlook for the 1958 Market

By SHELBY CULLOM DAVIS*
Managing Partner, Shelby Cullom Davis & Co.
Members New York Stock Exchange

Mr. Davis maintains two basic bullish factors are the market's healthier atmosphere with improved technical position; and prospective high economic activity stemming from current threats to nation's defense and scientific status. Holds present unfavorable conditions have been largely discounted by market's 100-point drop; and coming industrial revival will similarly be anticipated marketwise. Favors chemical, oil, motor, and life and casualty insurance groups for 1958; with general market laying groundwork for resumption of bull market's advance to new highs by 1959.

I approach this subject with proper humility. It is obvious that I am neither a prophet nor the son of a prophet. Neither am I an expert in the mechanics of the stock market, the business cycle, the steel industry, the automobile industry, foreign affairs, domestic politics—or any of the attainments which might seem to qualify someone to talk about the stock market.

Shelby Cullom Davis

There is only one consolation. I know of no one who is an expert in all these fields. It is simply impossible in today's changing world to know everything about everything. Was it not Dr. Faust in Goethe's drama who incurred the wrath of the Gods for his attempt at macrocosm (universal knowledge)—and had to content himself with microcosm (the world in miniature)? Instead of a world's eye view, he had to take a worm's eye view.

So must I, who have made whatever reputation I may have as an expert in the field of insurance stocks, view the complex stock market in 1958 from the worm's eye view of my own specialty, and through the microcosm, achieve the world view or macrocosm.

Frankly I am glad to be talking to you today rather than just after Labor Day. And in this I am quite unlike the farmer in the story who was trying to direct the stranger who was lost. As a matter of fact, this particular stranger was a motorist who got lost in the hills of Kentucky while on his way to Louisville to see the Derby.

He stopped at a crossroads cabin and asked this farmer, who was an ancient native, the direction and the road to Louisville. "Well," said the old man, "Louisville is that away. You could go down that there road, but it runs plumb up again, the mountain. You could take this here road but it ends up at the river. There is another road going in the right direction but it ends smack up in Okey Wilkerson's pasture. Mister," said the old man, scratching his head in perplexity, "if I were agoin' to Louisville, I wouldn't start from here!"

I don't feel that way. The pathway to the stock market future seems better marked. Let us start with what we know—two fundamental points.

Two Fundamental Points

(1) The stock market, as measured by the Dow-Jones Industrial Averages, has suffered a decline of 100 points. This decline ranks historically with the great declines in the past which seem to occur about every decade—in 1946, in 1937, in 1929, in 1917, in 1907. The present decline has accomplished two objectives: it has discounted potential bad news in the future, such as a decline in business and a resulting decline in corporate profits, and it has created a stronger technical market position by converting potential sellers (at July's high prices) into potential buyers (at the low prices of November). The short interest is at the highest since 1932. The weekend "cocktail set" is now talking about how low the market is going rather than how high—always a good sign.

(2) The startling developments of Soviet science have brought us to the brink of an arms race which may well turn into a struggle for survival. At least it is difficult to read the statements of eminent scientists such as Dr. Edward Teller and believe otherwise. If the nation is in mortal peril, as in 1942, is it reasonable to expect that 170 million Americans will allow themselves to slip quietly into a deep recession in business and economic activity? Is it reasonable to suppose that we shall willingly allow our decreased economic activity and consequently lower imports to draw our friends in the rest of the free world into a depression of magnitude? If we are in mortal peril, will we allow a man-made depression to cost us our opportunity to maintain friendly and close relations with important members of the Middle East and African regions? Will we allow Soviet Russia to move into a vacuum created by our own economic ineptitude?

Given the present world situation, which is etched in bold relief so that he who runs may read, I do not believe that these things will be allowed to happen. Some months ago the talk was of disarmament and a possible rapprochement with Soviet Russia. Several times the market had a bad case of jitters on this score. But there are few today who will

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*An address by Mr. Davis before the Dean's Day Homecoming, New York University, Dec. 7, 1957.

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Candid Pictures Taken at Convention

CANDID PICTURES taken during the course of the Convention appear in today's 24-page Pictorial Section.

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A Time for Vision

By CLIFFORD F. HOOD*
President, United States Steel Corporation

Leveling-off periods are nothing to be unduly alarmed about, U. S. Steel head declares in affirming principal aim of business to cause the nation's economic resources to maintain their upward climb. Though confident the years to come will constitute one of the most remarkable eras of progress we have ever seen, Mr. Hood warns of critical decisions facing us in answering "grim" fairy tales being told about America's economic system. Alarmed at profit and tax-cost squeeze, the industrialist states we must understand the natural laws of economics and "keep our feet on the ground if we are to assume . . . gigantic tasks and responsibilities" that is being asked of industry.

The eyes of the world, of course, are focused upon American industry, wondering about our plans for the immediate and long-range future. It is too early to know what the final results will be for this year, and it is a little too soon for the economic prognostications which are always forthcoming in the last few weeks of this month. To say the least, this lack of statistical guides is somewhat of a handicap in one's efforts to judge the future by the immediate past.


Clifford F. Hood

I am reminded, however, that the principal stumbling block for many who have sought to use economic history as a means of predicting the future of our economy has been their failure to understand one cardinal fact. One of the primary motivations of the American economy is our impatience with yesterday's rate of progress. Charles Steinmetz referred to this quality as "Divine Discontent," and I agree with him that it is this characteristic of never being satisfied with the achievements of the past which motivates us to go forward.

With this in mind, I shall not rely so much on statistics in analyzing the economic climate of America, but rather, on the symptoms which exist in great profusion and which point to the fact that we should not forecast a few scattered economic showers as the advent of a nation-wide flood. Perhaps we should remind ourselves of a few of these numerous symptoms of business advancement.

Symptoms of Advancement

For example, there is industrial research that fertile area where new products are created and new industrial processes are developed to keep our economy on the move. The results of rising industrial investment in research are taking shape in the reported plans of American industry to introduce more new products between now and 1960 than during any other equal period in our history.

Another symptom is to be found in our capacity to manufacture consumer items. The manufacturing capacity of American industry has almost doubled since World War II, and I need not remind you of the impetus given to our economy by this capital investment. Aside from the greater efficiency of these new production facilities, it was pointed out in recent survey that one-third of all manufacturing firms in this nation are planning capital expenditures for the purpose of bringing out new products which research has made available.

Then there is the matter of population. Perhaps few Americans realize it, but percentage-wise, we have one of the highest rates of population increase in the world. It is higher than that of Japan or India, and it is probably higher than the rate of increase in Russia. The important fact, however, is that people make markets for the products we produce, and at the present time, we are netting an average gain every 24 hours of 8,000 new customers for the products and services of American business and industry.

There is another hopeful spot upon the horizon that bears mentioning. In my opinion, it may be the most significant symptom of all. It is the growing concern in many quarters about the ever-increasing size and cost of government in America. It is pleasing to know that the Indiana Chamber of Commerce is among those organizations which have indicated an understanding of this problem. It is to be hoped that this new awareness will continue to grow on a national scale, and soon result in some positive action.

Of course, I could mention a number of other factors. There are the individual plans being expressed by firms within my own industry, in the automobile and allied industries, in the petroleum and chemical industries to mention only a few.

In U. S. Steel, we have been expressing our faith in a number of ways here in Indiana as most of you are aware. This is indicative, I might add, that we believe not only in the future of America, but in the continuance of Indiana as the center of a strong market area. It is our unshakable belief that the years to come will constitute one of the most remarkable eras of progress this nation has ever seen. Our research people and our market and sales and engineering people are already at work preparing for this inevitable job.

Not long ago, a meeting of nuclear scientists was held in Las Vegas, Nevada. The uninhibited atmosphere of that community was something new and attractive to the attending scientists. One fellow in particular, it is reported, spent more time at the gambling tables than he did discussing atomic theories. Toward the end of the convention, two friends happened to notice his comparatively heavy betting and one remarked that he seemed to be gambling as if there were to be no tomorrow. The other scientist thought about this for a moment, then replied, "Perhaps he knows something we don't know."

On the contrary, the future of our nation and its industry is not a gamble. We know where we are going in business, and we have no doubt whatsoever that there is going to be a tomorrow. Our efforts in technical and commercial research are predicated on the fact that the American economy will continue to grow and expand. In the same manner, the principal aim of business management is to cause the economic resources of the nation to maintain their upward climb.

It seems to me, however, that those who might doubt this should be reminded of a wise observation attributed to Sir Richard Livingstone of Oxford. "An eternal trait of men," he said, "is the need for vision and the readiness to follow it." It was through our ability to visualize the potential of the American economic system that we were motivated, in past years, to develop it into the most productive system known to man.

Most Solid Basis for Progress

We need to realize, today, that the potential of American industry resides in the reservoir of knowledge and ideas which we have developed and our capacity to turn them into useful products. No economy in the history of the world ever had a more solid basis for progress. We may encounter plateaus, such as the one we are experiencing at the moment. There may be periods of leveling-off, but certainly, if I read the signs correctly, such periods are nothing to be unduly alarmed about. Rather, they should serve to sharpen our vision and strengthen our determination to perform the necessary tasks which lie ahead.

This is not to say that we have left all of the complex problems behind us or that we shall not encounter serious obstacles as we continue to go forward. It may well be that some of the most critical decisions of management are still to be made. I visualize decisions in the realm of capital expansion and in our constant efforts to improve employee relationships. The most perplexing problem, however, in the entire area of management affairs is the matter of rising costs versus diminishing profits.

Now, I know you are aware that this task of guiding the American economy to ever-higher levels of achievement is not as simple as it once was. Not too many years ago, most everyone in this nation believed in and practiced a few realistic principles of economics.

The man of the house followed his occupation, firm in the conviction that his income was the product of his ability multiplied by his effort. The housewife was, in most instances, the keeper of the family purse strings with a conscious awareness that if expenses exceeded income, the family would soon be in dire trouble. And it goes without saying that we taught our children the same economic

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*An address by Mr. Hood before the annual meeting of Indiana State Chamber of Commerce, Indianapolis, Ind., Dec. 9, 1957.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

This week the Federal Reserve Board released its report on industrial production for the month of November, and according to its index, output declined for the third consecutive month.

The board's index showed a drop of two points from that of October, the figure standing at 139% of its 1947-49 average. This represented a full eight points below the record high of 147 attained last December. For November, 1956 the index stood at 146%.

Some government economists, it is reported, look for output to drop further, cautioning that there's "more bad news" ahead for business. However, the officials do not see any prospect of a depression, nor are they in agreement with a prediction last week by Dr. Emerson P. Schmidt, research director of the United States Chamber of Commerce that what he calls the 1958 recession will be "at least as severe" as the downturns of 1949 and 1954.

Some of the developments the board noted in its survey of business conditions was that while industrial production continued to decline in November, construction activity held at record levels. It pointed out that a reduction in employment became widespread and unemployment increased. Then too, business loans declined further and total bank credit expanded.

Continuing, it stated that, "activity was curtailed generally at both factories and mines. Steel mill operations continued to decline and in November were 6% below October. In early December, mills operated at 70% of capacity and ingot capacity was 30% below a year ago. There were additional curtailments in activity in most producers' equipment lines in November and further cutbacks in the aircraft industry.

"Auto assemblies, at 579,000 units, were up sharply from the reduced October level, but output schedules indicate some decline in December. Production of television sets and furniture was curtailed in November.

"Output of nondurable goods, which had edged up to a new high in September, declined in October and November as activity in the textile, apparel and petroleum refining industries fell off. Production of bituminous coal, crude oil and metal ores was also curtailed."

The current employment situation shows that the number of newly laid-off workers filing jobless pay claims rose by 66,600 to 396,000 during the first week in December, according to the Bureau of Employment Security.

The agency noted that 44 states reported larger volumes of unemployment claims. It added, seasonal curtailments in the construction, apparel, textile and food processing industries, layoffs in metals and machinery industries and rescheduling of claims because of the Thanksgiving holiday in the previous week accounted for the substantial rise in initial claims.

The largest increases in new claims were reported by Pennsylvania, 10,700; California, 7,100 and Illinois 6,700.

For the like week last year, the total of new claims for unemployment insurance was 269,100. Insured unemployment rose by 202,400 to 1,721,900 in the week ended Nov. 30 this year, it further noted. The total for the like week last year was 1,132,200.

A further report on the employment situation shows that mid-November unemployment rose 700,000 over the previous month, bringing the jobless ranks to the highest level for the month since 1949, according to a joint survey by the United States Departments of Labor and Commerce.

At the same time, employment fell 1,100,000 to a total of 64,900,000, the lowest point since April, 1956, the above source noted.

The agencies attributed the bigger-than-seasonal rise in unemployment, which totaled 3,200,000, largely to greater non-farm layoffs and to people unsuccessfully searching for Christmas jobs. A rise of 165,000 in trade employment was "comparatively small" for the pre-holiday season, the report said.

The latest employment level reflected a drop of 190,000 from a year earlier, while the new jobless total was an increase of 526,000 from mid-November last year, the report added.

Factory employment dropped by 230,000 during the month to a total of 16,600,000, the agencies revealed, pointing out that this was "substantially more than usual" for this time of the year. The decline reflected cutbacks in the metals, machinery and aircraft industries, while employment in automobile plants increased as production of new models went up.

In the steel industry this week the heavy holiday shutdowns in steel will present a distorted picture that conflicts with the underlying strength of the market. Curtailments from now until the end of the year will be sharp and January and February will produce little or no improvement, states "The Iron Age," national metalworking weekly on Wednesday of this week.

It adds, the second quarter should show an upturn due to improvement in automotive demand and other seasonal factors. Another bright spot is the forecasts for most of the major industries that buy steel call for a slight improvement in 1958 over 1957. No drastic cutbacks are expected anywhere.

The current slump in steel is due largely to drastic inventory cutbacks by steel users. But this may turn out to be a blessing in disguise. If inventory reductions continue at the present pace, the inventory correction may be over much earlier than had been expected.

Mills this month are producing fewer tons of steel than they are shipping. One large mill says it will be producing 10-15% below its shipping rate. This is a reversal of the situation of several months ago when production was exceeding shipments.

Even one of the old standbys of the steel market is showing signs of wear and tear, says "The Iron Age." This is the market for large diameter welded pipe, usually called linepipe. But the situation is not clear-cut. It is due in part to delays in obtaining Federal Power Commission approval of natural gas pipeline projects. Some of these are taking as much as three years to clear FPC. Another factor is a proposed increase in the tariff on United States pipe going into Canada.

"The Iron Age" points out that linepipe is still the longest delivery major steel product in the United States. All mills have orders for three years ahead. But openings are developing — with

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Observations . . .

By A. WILFRED MAY

YOU—AND YOUR COMPANY*

The first precept that I want to give you is both extremely important in scrutinizing the financial condition and operating results of your company and also as the key to your attitude to your conduct as a stockholder. No matter how small a shareholder you are, you must always conduct yourself as if a part-owner of a privately owned business; which ownership status, I want you to remember, you are in as a shareholder in a corporation.

A. Wilfred May

One of your main functions and jobs as a shareholder is to make an evaluation of your management. Get several management advisory and appraisal agencies to help you evaluate the advantages of your different companies. For example, you can use the American Institute of Management, which is a nonprofit organization rating managements and their boards of directors as a communal service. They are not management consultants but are concerned with appraisal ratings and over-all management function that particular managements are doing. Their appraisals are based on an elaborate questionnaire system of a hundred or so questions which are sent out to over 100,000 concerns which are then rated in each of 10 pertinent categories, including research development, health of earnings, etc., etc.

You can also get impressions of managements journalistically. Sometimes this is done on individual companies via the *Fortune Magazine* profile type of write-up. Also available are group ratings, as by *Forbes Magazine of Business*, which annually evaluates the executive direction of major companies, giving a definite score to the intangible qualities of management and its policies. More informally and irregularly, individual volunteer representatives of the minority stockholder, as Lewis and John Gilbert, express opinions about management. Following their indefatigable attendance at meetings, they issue full reports at the end of each year, their reactions being to a great extent concentrated on abuses as those surrounding compensation, place of meetings alike.

In your reaction to these management appraisals of various kinds, either formal or informal, be sure not to overemphasize the qualitative factors, or to overglamorize. **Don't get too far away from the bedrock facts and statistics. In this connection be sure to use a comparative approach, that is to weigh the** test of relative achievement by other companies in the same industry. For example, you would certainly apply a different standard of profit or success to any management operating in a depressed industry, like coal and textile, as contrasted to management in boom industries like chemical or life insurance.

*Transcript of one of a current series of lectures at the New School for Social Research, New York City.

Appraising Appraisals

Actually, how good are management appraisals, either formal or informal, likely to be? The current efforts at arriving at comparative appraisal of management quality admittedly have little scientific validity and many shortcomings. Nevertheless, they are extremely worthwhile and constructive, and move in the right direction, in applying tests specifically to each company according to some logical standard, instead of overglamorization and dramatization following public relations dictates. Most important is it that this kind of management appraisal and study encourages the public to an investment value approach instead of accentuating the superficial *blue chip-itis* proclivity to picture managements of a relatively few popular companies as gods and the others as bums. It also has the advantage of mitigating the popular temptation to emphasize short-term, and sometimes fortuitous earnings, and to overstress the past duration of dividend payments. Overall, good hard objective appraisal has the basically beneficial effect of awakening the public stockholder from his habitual apathy toward the affairs of the company to which he has entrusted his capital.

The Company Report

The primary source of specific information about operations *per se* and in comparison with competing companies, is the annual report. Cognizance of your company's statistical results in the financial operating area is important both for the market valuation of your stock and for arrival at judgments again about the quality of management.

What specific information should you dig for in your company's financial reports? Beyond the earnings data, today's reports can be invaluable in informing you, the stockholder, what your company is doing to improve its products, how it is meeting competition, of its labor relations, the impact of the government's regulations and other policies, and a whole host of other matters likely to affect your investment now and in the future.

Keep in mind that both the fully detailed as well as the short form versions of the company annual report should be carefully read and scrutinized with attention paid to changes indicating progress and growth over a goodly intervening period, say 10 years. Some companies go much further back; Bethlehem Steel, for example, showing growth of sales, assets, earnings, etc., for 50 years. Look at the dollar sales volume, coupling the absolute current figure with the past annual trend and watching out for increases that may be due to price inflation rather than unit increase. In this item of sales trend particularly, can comparison with other companies be made. With companies making a variety of different products, furnishing a breakdown of sales, covering these products should be supplied and studied. Jointly with the sales figure, there may be specified, often with the *pie* type of illustration, the average dollar of income allotted to salaries, wages, and other employee benefits, to material and services, taxes and depreciation and finally to the net income divided between cash dividends and undistributed portion retained in the business.

Dividend Aspects

Regarding the dividend, you should ask yourself whether it represents a reasonable proportion of the earnings, and whether it gives you a fair return on your capital invested. A persistently low dividend payout should be checked with the management, as to possibly good reasons, before broadcasting complaint. Incidentally, studies show that in most cases, with other factors being equal, dividend payout tends to raise the market's valuation, as manifested in the price-earnings ratio.

The Working Capital

The working capital, indicating the company's liquid position, is highly important, but its consideration must be linked to earning power, particularly if much of the current assets is chronically tied up in inventory. Usually there are available many companies that are "worth more dead than alive:" meaning that they could readily liquidate to give more than their market price. But since liquidation is habitually problematical, the generous working capital should be considered mainly a safety factor backing the earnings and dividends.

Depreciation Impact

A few words here about the important item of depreciation. Whereas it is impossible to measure the actual depreciation of a plant during a single 12-month period, nevertheless, accepted accounting practice determines the depreciation charge by spreading the cost of plant facilities over the estimated total production during their youthful lives. In recent years, particularly, swelled by special provisions permitted by temporary statutes, amounts set aside for depreciation and amortization have become increasingly important in the income showing.

For example, accelerated amortization in excess of normal depreciation to stimulate strategically needed production has reached very high amounts as in the chemical companies, and must be watched for distortion of earnings results. The principal effect vis-a-vis the investor of the high rates of the accelerated depreciation and amortization is that while they depress current earnings, they represent a source of internally generated cash for future needs and build up plant account for increased future profits. For the lay and uninitiated investor who is uncertain about the realization and amortization charges, it behooves him to turn to the security analyst or his advisor for expert interpretation of these depreciation factors.

Where a holding company is involved, be sure to look at the consolidated statement with transactions within the company eliminated. In the case of companies expanding through merger or a change in capitalization, concentrate your attention to the final earnings per share item, bearing in mind that the trickle-down to the final net constitutes the simple hard-boiled investment test.

Other items to look for in the company report are the amount of unfilled orders, as an indicator of the succeeding year's volume and earnings; and the current and planned expenditures on plant, measuring management's commitment to growth, or technological improvement (Remembering, always, that new plant must be able to pay for its keep.)

Finally, from his continuing company reports the stockholder can get an all-over impression, above and beyond the specific items, making possible a certain amount of "playing it by ear" to supplement or perhaps temper but never supplant, the raw value factors.

Full Disclosure Available

It is still sometimes asked by the public and worried about by the shareholders, whether company reports are truthful, whether particularly in "bull" markets, earnings are hidden or perhaps overstated. The correct and definite answer to this worrisome question whether there is truthful disclosure is a direct and resounding "yes." With management's ordinarily honest inclinations buttressed by a multitude of safeguards imposed by the SEC and the Stock Exchange reporting regulations in the case of registered companies, complete honesty and fullness of reports are insured. Difficulty is not with the honesty of reports, but with awakening the shareholder out of his natural inclination to apathy to scrutinize the information that is readily available to him.

Here we get to one of the main flaws in reporting, which is stimulated by the desire to overcome the stockholder's apathy. I refer to the over-glamorization of the reports, usually with the aid of the public relations professions to spoon-feed the shareholder. There is a tendency to oversimplify with charts, graphs and pretty pictures, with the neglect of relevant areas of the cold, hard facts.

The Comparative Test

Again in your scrutiny of the results disclosed in the report you apply the comparative test—that invaluable yardstick. In other words, in such things as profit ratios, that is percentage of profit to sales and to plant, and also in growth of sales, is the comparison between your company and other companies in the same industry a mighty vital factor.

The Stockholder's Essential Status

Now for a word on your status as a public stockholder. The stockholder finds himself impotent in two basic ways. First, he is powerless within his company versus his management. This status stems from the basic technique of our corporate system, under which ownership is separated from control, this was originally pointed out 25 years ago by Adolf Berle and Gardner Means in that great epochal volume "The Modern Corporation and Private Property," in which they first showed most vividly how ownership which is scattered perhaps through hundreds of thousands of shareholders is unrelated to control which is in the hands of management which may have very little or no stock. This basic situation leads to a host of complications and bases for abuse.

The other facet of the public stockholder's impotence is his position in the community where he finds himself without power both versus other groups as well as government intervention. This is in contrast to other sectors of the community represented by vocally effective pressure groups, in contrast to whom the shareholder without political power or organization, remains the real "forgotten man."

Raider or Rescuer

Now what is being done to protect you in this unfortunate position? In the absence of service of any large scale trade organization, the current safeguarding of

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Inflation: Cause and Prospects

By LAWRENCE FERTIG*
Columnist on Economic Affairs, New York City

Economist insists inflation remains as main problem here and abroad, and hence prevalent confusion about its nature should be clarified. Cites as basic the fact that price level rise is merely the result of currency inflation, exemplified by wartime monetization of the debt and postwar credit inflation by business and individuals. Asserts upward thrust of wages is important factor in continuing inflation. Denies possibility of a "creeping inflation." While expecting present bull market in bonds to continue into 1958, predicts as inflationary moves take effect, industrial activity as well as wages and prices will again start upward.

I am not a mind-reader, but I am quite sure that some of you feel that this discussion is outdated. Some of you are probably saying isn't our problem deflation? Isn't this the condition we face today — hasn't the Federal Reserve Board itself recognized the easing of inflationary pressure? Why then talk about inflation and its problems?

Lawrence Fertig

May I say at the start that anyone who thinks that inflation is dead in this country is dangerously deluding himself. Some people said that in 1953. I recall very well the many letters of disagreement I received in that year when I wrote a column entitled "Is Inflation Dead?" and answered positively no. Well, the dead inflation revived rather quickly and became a menace by 1955. Inflation is the problem of our lifetime. And while at times there is hesitation in the upsurge, and a sudden downdraft occurs, this is not abnormal historically. Even inflation is not a one-way street. The fact that in this country we are now having a recession which may be attributed in a large measure to the previous restraining action of the monetary authorities during the past year, does not in any way alter the fact that we are living in an inflationary era which gives every promise of continuing despite short-term reversals in direction from time to time.

Inflation is the long-term problem of practically every country in the world today. Why? Because this process seems like an easy way out of every national dilemma. The idea is to give people the illusion of prosperity by creating more money instead of permitting the market to correct the waste, inefficiency and bad judgment which grows cumulatively during a lush period of inflation. Halting inflation is more a **political** problem than it is a **monetary** one. While every administration will pay lip-service to the stability of the dollar, while every responsible government will try to curb some of the more vociferous signs of inflation, they will all find it difficult to grapple with the hard core of the inflation itself. The voters have been led to believe that they can have prosperity every week, every month, every year **without readjustment of any kind.** Since the people believe, this, their representatives will try to give it to them. They will use the process of inflation up to the point where it doesn't work any more.

Now since inflation is the great problem of the age the first thing we ought to find out is, What is it? There seems to be a great deal of confusion on this point, yet I believe that basically the problem is not nearly as complex as it seems. I would make the unqualified statement — which is supported by the economists of the Federal Reserve Board and the Treasury as well as economists in the academic world—that you cannot have a rising price level for any great length of time without a significent increase in the money supply. Inflation is a money disease. It feeds on new money and unless that is supplied it will starve in time. By money I mean bank deposits and currency. Inflation has been defined by the Committee on Economic Accord, a group of more than 100 distinguished economists, as "a change in the volume of circulating media (that is bank deposits and currency) tending to reduce the purchasing power of the monetary unit." This means an increase in dollars which tends to raise the price level, so that every dollar buys less. Sometimes the price rise does not immediately follow the inflation of the money supply—there is a time lag—but prices generally respond in due time. It is incorrect to call the rise in prices "inflation." The rise in the price level is the **result** of the inflation of the currency.

Two Types of Inflation

Now how is the money supply increased? The first way is best exemplified by what happened during the war. The government needed money and printed bonds. Some of these bonds were bought by the public out of their savings. The rest were sold to the commercial banks who merely set up a credit for the United States Treasury on their books, and this credit was converted into cash when the government paid for purchases. Thus government debt was monetized—it became active money coursing through the economic bloodstream. Before the war there was $36 billion of demand bank deposits and currency. After the war there was $106 billion of checkbook money and currency. That was a three fold inflation of the money supply that inevitably had to influence all prices—the price of labor and the price of goods. The market adjusted itself to this vast inflation. The consumer price level rose 70% between 1940 and 1950.

Now after that vast **direct** inflation, there was no necessity in this country for any more of it. In due time all prices and all costs would have adjusted themselves properly to the new situation. But let's remember that we superimposed a **second kind** of inflation right on top of the first. The **second type is credit inflation** by business and individuals. Banking authorities permitted the money supply to increase substantially not because the government needed to finance its deficits, but because the demand of industry and individuals was very great, and practically everyone could get the loans he wanted. Therefore a vast **credit** expansion took place. Bank loans increased from $52 billion in 1950 to over $92 billion today.

On this matter Mr. George Humphrey, who distinguished himself as Secretary of the Treasury, made an interesting statement when he was on the stand for 14 days in July before the Senate Finance Committee. He pointed out that if expansion of industry is financed out of savings, there is no inflation, but if, on the other hand, it is financed by bank-created credit, then inflation takes place. As Mr. Humphrey put it, "increased capital investment (more tools, more factories, more equipment) is necessary to provide the jobs with the high wage-levels which are paid in this country. It is the principal means by which we can raise our living standards. **To the extent such increases in capital investment are provided by excessive bank credit expansion, they are inflationary. To the extent they are financed out of savings, they are not."**

He then pointed with pride to the fact that from 1952 to 1955 all forms of borrowing—both public and private—exceeded savings by only $10.7 billion or 7% of total new borrowing. This was a far better record than had prevailed in the previous two four-year periods when new bank-created money formed a much larger portion of total increased borrowing. In 1948-52 it was 12% and in 1944-48 it was 25%.

Plainly the figures which Mr. Humphrey quoted show that the inflationary push has been growing weaker. We have been financing expansion more out of savings and less out of bank-created credit. Less money has been manufactured by the banks. How does it happen then, many people will ask, that there was an increase of about 3% in the cost of living during the past year?

Turnover of Bank Deposits a Factor

Well, the answer is that there is often a time-lag between the receipt of money and its use. Often that time-lag is one of **years.** When money is used more actively, its **velocity** is said to increase. A dollar of money has more impact and does more work as it goes from bank account to bank account, whereas a dollar lying idle has no effect on the price structure. So the speed with which money is used, or its **velocity,** makes a big difference, and that velocity has been increasing steadily for the past few years. As people's confidence increases and they find pools of idle money, they use it and this affects the price structure.

You can readily see how the velocity of bank deposits increases by knowing how business has handled its liquid assets. During the past year liquid assets have shrunk by about $4 billion, bringing corporate liquidity down to a little over 50% from a point a little over 60%. Corporations have been cashing in their government securities and using their available cash balances for business purposes, thus increasing the velocity of money. It is this increased velocity or turnover of money which has increased demand for goods and prices in a period when the money supply itself was growing at the rate of only about 1% a year.

Currently the velocity of bank deposits is about 4% more than last year. But it would seem that this increased velocity of money—this stretch-out of bank deposits, so to speak—is beginning to lose momentum. It, too, is beginning to show signs of slowing down. The fact is that monetary policy which controls the volume of money will ultimately control the velocity of money which is based upon a psychological factor to a great extent. It is the control of the volume of money which is the deciding factor over a period of time. Inflation cannot continue for long if it is starved by restricting new money and credit.

Labor Policy Compels More Inflation

Now one of the most important factors in the continuing inflation

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*An address by Mr. Fertig at Dean's Day Homecoming for Commerce Alumni, New York University, Dec. 7, 1957.

The Business Outlook

By HERBERT V. PROCHNOW*
Vice-President, The First National Bank of Chicago

After analyzing broad and specific factors in the economy, Chicago banker forecasts for the year ahead: (1) total construction equal to the $47 billion expected for 1957, which would be 2% above 1956; (2) a good auto year if sales come near to equaling the approximate six million cars that may be sold in 1957; (3) declines in capital and inventory spending, employment, industrial production; and (4) increased defense expenditures. All in all, Mr. Prochnow anticipates some easing in bank loan demand.

Forecasting the future of business is a precarious but necessary occupation. Good management requires the most careful planning ahead. Business must plan purchases, production, sales, inventories and capital expenditures. Plans for expansion must often be made months and even years in advance. If there is a considerable interval between the time raw materials are purchased and the time they are sold as finished products, a manufacturer may be subject to serious hazards in business fluctuations. Therefore, despite the fact that forecasting is risky, it becomes an inevitable part of the planning of any well-managed business enterprise.

H. V. Prochnow

In addition, individuals building estates, banks, insurance companies, and all institutions handling trust and investment funds also must be concerned with the fluctuations of business. Governments, likewise, find that their revenues and expenditures are to a very great extent dependent upon the restless movement of the business cycle. Fortunately there are a number of economic forces which can be measured, and, despite the possibility of some error, it is helpful to try to evaluate these economic forces and their effect on the future of business.

One method of forecasting is to consider the total output of goods and services of the country and the principal groups which consume or purchase these goods and services. The total value of all the goods and services we produce annually in our factories, mines, farms and in other ways, may be considered as a huge economic pie. The economist calls this total our Gross National Product. Since the end of World War II, this pie has been growing larger each year. The Gross National Product rose from an annual rate of $429 billion in the first quarter of 1957 to $439 billion in the third quarter, and the third quarter was $22 billion over the same quarter last year. There are two major reasons why our Gross National Product has been growing larger each year. First, we have been producing more goods and services, and second, prices have been rising.

There are three principal groups who buy our Gross National Product. First, and by far the most important, are the consumers, approximately 171 million of them. They purchase about two-thirds of all the goods and services produced in the United States each year. Second, are the governments — the Federal Government, the state government and the countless municipalities and local governments across the country—who purchase 20% of the output of the nation. Finally, the third segment, business, purchases the remaining 15% of this huge pie. Business purchases are divided into two parts — expenditures for plant and equipment, and purchases of goods for inventories.

Within this framework of reference, one may attempt to arrive at some judgment of the level of future business activity by estimating the probable volume of purchases by each of these three main segments of our economy— the consumers, governments and business.

Consumer Spending

The volume of spending by consumers tends to be influenced largely by two important factors. One is the consumers' income, or ability to buy, and the other is the consumers' willingness to spend this income. Personal income has risen steadily in the entire postwar period and in the third quarter of 1957 was at a record level, 5½% above the same period last year. The number of persons holding jobs has remained high, and despite layoffs in certain industries and areas, unemployment has been at a low figure for most of the postwar period. As a consequence of the high level of employment and income, consumer expenditures have risen every year since World War II, including the recession years of 1949 and 1954. Although employment continues high, personal income declined in September and October.

The future willingness of consumers to spend their incomes, however, is difficult to determine. The Federal Reserve System each year asks the University of Michigan to conduct a survey to determine the buying intentions of consumers. The last survey, conducted some months ago, indicated that there was some hesitancy among consumers as to their spending. Retail sales rose substantially from March to August. However, sales (estimated) were down in October for the second consecutive month and were the lowest they have been since April. Department store sales have followed somewhat the same pattern and have been running a little lower than in the corresponding period last year. If these declines in consumer purchases reflect the attitude consumers will take in the months ahead, they are of real concern, because consumers buy about two-thirds of our Gross National Product.

Business and Governmental Sectors

Spending by the governmental sector of the economy, which accounts for 20% of the total output of goods and services, is well above last year. Spending by the Federal Government has risen this year and when combined with rising expenditures of state and local governments, for such projects as toll roads, schools and water systems, puts total spending of this sector of the economy 10% above last year. Recent international developments also may mean some increase in defense spending in the months ahead. This possibility, combined with the fact that state and local expenditures are likely to continue their slow upward rise, would indicate that the volume of goods and services demanded

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*An address by Mr. Prochnow before the Conference of Bank Correspondents, The First National Bank of Chicago, Dec. 2-3, 1957.

Meeting Deep-Seated Problems With a Firm National Purpose

By NELSON A. ROCKEFELLER*
President, International Basic Economy Corporation
Former Assistant Secretary of State

Rejecting negative stance and belated response usually marking our foreign policy, Mr. Rockefeller recounts pertinacious revolutionary changes facing us, whether U. S. S. R. were miraculously transformed or not, which he avers requires knowing not only "what we are against," but, also, knowing "what we are *for*." Advocates: (1) regional and functional groupings encompassing all free world nations; (2) incorporation of existing and new international institutions in such groupings to assist in meeting functional needs; (3) a national training and research program and rehabilitated defense setup—adequately financed with no economic distortions; and (4) progress in our domestic social gains.

We are fortunate as perhaps no other people in history in having achieved a degree of material well-being for more of our people than in any previous society.


Nelson A. Rockefeller

The chief threat to this security is from abroad, despite all that remains to be done at home.

It would be easy to speak about specific aspects of the threats from abroad — the Middle East, the Soviet satellite and intercontinental missiles, etc.

However, these threats are symptoms of more deep-seated problems, specifically of the revolutionary forces that confront us in the world today and our lack of a clear national purpose in relation to them. This makes it difficult for us to establish priorities in our planning, to shape events in advance and thus to avoid a crisis coming upon us. Unfortunately, we often do not know a problem exists until it has become a crisis.

We have had a clear national purpose in terms of our domestic life.

The original motivating force which impelled people into an unexplored continent was a belief in spiritual independence and human dignity.

And ever since our whole political and social history has shown the importance of the role of purpose. One has only to look at the Federalist papers to see its clear design in the minds of the Founding Fathers which produced a political structure at once the stablest and most progressive in the world.

Negative Foreign Policy

But in foreign policy our purpose has been on the whole negative. We have primarily wanted to be left alone to work out our own destiny. Our historic position has not been too different from that of many of the neutral nations of today who also want peace without prior involvement. When we have intervened abroad it has usually been a belated recognition that our security and that of other free nations were directly challenged.

This was our position in two World Wars.

This was our position in constructive programs such as the Marshall Plan.

Even our notion of peace has been essentially passive. We have considered it the absence of war; rather than concerning ourselves with the concrete set of active relationships among states on which peace ultimately depends.

But a passive stance is no longer enough.

It always causes us to lag behind events.

Our actions too often become haphazard and determined by Communist initiatives or other pressures.

Our course will become increasingly defensive and, to make matters worse, our position will appear increasingly manipulative.

Constantly digging oneself out from under avalanches started by others hardly conveys a sense of direction. In short, if we do not shape events we will become their prisoner. **We need to find a new and broader orientation**—a larger sense of purpose. Just as when a young person grows up, his focus which has always been centered on himself and his family broadens out to encompass the world around him, so we as a nation must broaden our awareness and understanding of the world around us. This involves our acceptance of the reality of the revolutionary forces which exist in the world—their character and inter-relationship.

Four revolutions are occurring simultaneously:

Changes Facing Us

First, the breakup of the old system of world order through imperial alliances and the appearance of more than 50 new sovereign nation states.

Second, the surge of rising expectations and population growth.

Third, the ever accelerating rapidity of scientific development.

Fourth, the unholy alliance of international communism and Sino-Soviet imperialism.

With relation to these revolutions we should be clear about two things:

We must discard the assumption that our international problems would end if the Soviet Union were somehow miraculously transformed.

And we should realize that a negative stance with relation to these forces is not being true to ourselves for many of them were inspired or produced by the American example and American actions.

Let's look back for a minute. The American Revolution, based on liberal 18th century thought in England and France, proclaimed a new doctrine of political equality and the inalienable right of all men to life, liberty and happiness.

The French Revolution followed a decade later with its call for Liberty, Equality and Fraternity.

This started two revolutionary trends:

First, the breakup of the system of empires, which had for so long provided the basis of world order and trade; and

Second, the creation of a large number of free sovereign nations, first in the Western Hemisphere and Europe, after the Second World War in Southeast Asia and now in Africa.

At the end of the 18th century, Simon Bolivar, the great liberator of South America, saw that no new sovereign nation could be in position to defend its own borders nor to provide an economic level of life which could satisfy its people without help from the outside. He was the first to advocate the free association of free sovereign nations who could work together in their common interest. Thus he was pointing the way to a new basis for international order.

This leads us to the basis of the second revolutionary force.

Social Equality

During the 19th century, the doctrine of social equality was added to that of political equality. This challenged the traditional view that poverty and want were no more to be questioned than illness and death.

Gradually it was recognized that underprivileged groups within a community could not make proper use of their right of political participation.

As a result, most governments in the West gradually undertook programs dedicated to social and economic justice.

The coincidental advent of the Industrial Revolution gave tremendous impetus both to the need for and the possibility of realizing these objectives.

The level of the well-being of the citizens of the West began to rise.

The U. S. especially was successful in translating its political philosophy into economic and social reality. The spectacular material achievements and power of our country and the extraordinary rise in our standard of living have had a profound effect on the peoples of all lands, particularly of the underdeveloped countries and newly independent nations.

These new political and social concepts, and the tremendous industrial development have been responsible for the surge of the great revolutionary force of rising expectations among the people the world over.

People who had never known hope before are feeling increasingly that they have a chance for a better life, that the world possesses the means of producing more than the bare necessities for survival, and that they are entitled to their share.

This hope is a constructive force and one with which we sympathize deeply. The difficulty is that too many don't understand that re-

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*An address by Mr. Rockefeller before the Life Insurance Association of America's Annual Meeting, New York City, Dec. 12, 1957.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

American Economy—Review—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y.

Atomic Letter (No. 33)—Discussing seven additional companies in missiles and rocket field whose shares are held by the Fund and citing a study of world supply and demand for uranium for power and propulsion purposes—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Burnham View—Monthly investment letter—Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter.**

Canadian Bond Market—Bulletin—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, and Royal Bank Building, Toronto, Canada.

Canadian Market—Year-end review—Ross, Knowles & Co. Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

Catholic Church Bonds—Circular—Keenan & Clarey, Inc., Pillsbury Building, Minneapolis 2, Minn.

Depressed Railroad Bonds — Analysis — Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Electric Utility Outlook—Report—Bache & Co., 36 Wall Street, New York 5, N. Y.

Fire & Casualty Insurance Company Stocks—Report—First Boston Corporation, 15 Broad Street, New York 5, N. Y.

Growth Companies—Study—Hugh W. Long & Company, Incorporated, Westminster at Parker, Elizabeth 3, N. J.

Guides for Buyers of Common Shares—Suggestions in diversified categories—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is a list of 45 selected common stocks available close to 1957 lows.

Investing in the Drug Industry—Analytical brochure—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Standard Brands, Inc.**

Japanese Stocks—Current information—Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Japan's International Accounts—Discussion in current issue of "Nomura's Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are discussions of the **Shipbuilding** and **Gasochemical Industries.**

Life Insurance Stocks—Analysis—Paradise Securities Company, 9477 Brighton Way, Beverly Hills, Calif.

1958 Portfolio Building—Suggested equities—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Real Estate Bond & Stock Averages—Bulletin—Amott, Baker & Co. Incorporated, 150 Broadway, New York 38, N. Y.

The Russian Scientific Breakthrough as It Affects the Stock Market—Study—Parrish & Co., 40 Wall Street, New York 5, N. Y.

306 Stalwart Stocks—Article in current issue of "The Exchange"—The Exchange Magazine, 11 Wall Street, New York 5, N. Y.—10c per copy; $1 per year.

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American National Insurance Co.—Memorandum—Moreland, Brandenberger, Johnston & Currie, Cotton Exchange Building, Galveston, Tex.

American Stores—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.

Bank Building and Equipment Corporation—Card memorandum—Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo.

Bankers Trust Company — Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Bausch & Lomb—Report—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y.

Beneficial Standard Life Insurance Company of Los Angeles—Report—Kay and Co., Inc., 2316 South Main, Houston 2, Tex.

H. L. Bohack Co., Inc. — Analysis — Hardy & Co., 30 Broad Street, New York 4, N. Y.

J. I. Case Company—Analysis—Grimm & Co., 44 Wall Street, New York 5, N. Y.

Central Hadley Corporation — Analysis — Searight, Ahalt & O'Connor, Inc., 115 Broadway, New York 6, N. Y.

Corn Products Refining Co. — Memorandum — Paine, Webber, Jackson & Curtis, 209 South La Salle Street, Chicago 4, Ill.

Cornell Paperboard Products Co.—Analysis in current issue of "Business and Financial Digest"—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue is an analysis of **Portland General Electric Company.**

Electronic Research Associates, Inc.—Analysis—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

Georgia Pacific Corporation — Analytical brochure — Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Golden Cycle Corporation—Analysis—B. E. Simpson & Co., California Building, Denver 2, Colo.

Hershey Chocolate Corp.—Memorandum—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y. Also available is a memorandum on **Sterling Drug Inc.**

Hollinger Consolidated Gold Mines, Ltd.—Analysis—McLeod, Young, Weir & Company, Ltd., 50 King Street, West, Toronto, Ont., Canada.

Kalamazoo Vegetable Parchment Company — Analysis — William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

Lone Star Steel Company — Analysis — Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Monterey Oil Company—Analysis—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Phillips Petroleum Co.—Memorandum—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Robinson Aviation Inc.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Ruberoid Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Safeway Stores — Data — Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also in the same bulletin are data on **Food Fair Stores.**

Shulton—Study—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a study of the **Fire-Casualty Insurance Industry.**

Texas Illinois Natural Gas Pipeline — Memorandum — Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Thrifty Drug Stores Co.—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y. Also available is a report on **Koehring Company.**

From Washington Ahead of the News

By CARLISLE BARGERON

It is a little early to be addressing a graduating class but if I were a youngster faced with a career of diplomacy which takes one to foreign and exotic countries or of being a scientist which might take one to the moon, I would unhesitatingly choose the latter with all of mathematics, geometry, calculus and all that goes with it. The grades are undoubtedly harder to make than those of foreign languages which should come easy once one is grounded in Latin and every high school graduate should be.

Carlisle Bargeron

But take life thereafter. Suposing you are a diplomat or foreign expert for a global leading government. Your troubles have just begun, or at least that is now the situation with our diplomats and foreign experts since we became a global leader.

Take Mr. Dulles and the bright young men surrounding him at NATO. Mr. Dulles spent his career in international law as a member of the famous law firm of Sullivan and Cromwell. This firm was purported to know more about foreign governments than our State Department did. Certainly it dealt with them and presumably still does.

Mr. Dulles was an important member of the firm but he got it into his head many years ago that he would like to be Secretary of State to lend his knowledge of foreign governments to our country, undoubtedly because an ancestor had served in this capacity.

Being the man of energy that he is, at his age, I doubt he has ever regretted the day he finally got to be Secretary of State. In the way the doctors tell us that to continue to live one must keep up his activities, Mr. Dulles is here, there, issuing statements or meeting the press every time you can turn around.

Now, he is in Paris at the meeting of NATO. You would think this would be easy. Obviously if we and our allies don't stick together we will all be sunk. Personally I have my doubts that Russia could sink anybody, but the prevailing minds are against me and I intend to speak henceforth about the "Free World," a rather loose expression that has been coined by the propagandists because I don't see the freedom of some of our "Free World" allies. But it sounds good and tends to simplify one's theme.

You would think that when Mr. Dulles said to Denmark, for example, that we are going to establish a guided missile base in your country, the Danish representatives would say "hurrah, you are our saviour."

But are the Danes going to say this? No, they want to talk about their industry of making clothes pegs and how a lot of their people were making a livelihood out of making and exporting these clothes pegs. What do we do?

I am told by free trade propagandists that what we did was to increase the tariff on clothes pegs to protect an industry which employed only 70 people. The Danes feel very strongly about this, I am told, and they intend to tell Mr. Dulles about it when he tries to establish a missile base in their country.

Oh, just take Britain, our English speaking ally. Their grievance —to hell with what we intend to do for them militarily—deals with our raising the tariff on bicycles when they began to enter our market, and Britain needs dollars so much. Don't think things are so rosy with West Germany either. Their little Volkswagens are moving in and out of our traffic with an annoying grace. You can never tell when one is behind or under you. The Department of Justice has started anti-trust proceedings against them.

Now, I am told by these foreign propagandists that, as global leaders, we have simply got to make up our minds. Either reduce our tariffs or grant more foreign aid. I don't think Mr. Dulles can promise either one of these. There is an increasing movement in this country in favor of higher tariffs and, as of the last session of Congress, there was a tremendous feeling against foreign aid.

So I would suggest that you not raise your son to be Secretary of State or a foreign expert.

COMING EVENTS

In Investment Field

Jan. 17, 1958 (Baltimore, Md.)
Baltimore Security Traders Association 23rd annual mid-winter dinner at the Southern Hotel.

Jan. 27, 1958 (Chicago, Ill.)
Bond Traders Club of Chicago annual Midwinter Dinner at the Sheraton Hotel.

Feb. 28, 1958 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual Mid-Winter Dinner at Bellevue-Stratford Hotel.

April 23-25, 1958 (Houston, Tex.)
Texas Group Investment Bankers Association annual meeting at the Shamrock Hotel.

June 9-12, 1958 (Canada)
Investment Dealers' Association of Canada annual convention at Manoir Richelieu, Murray Bay, Quebec.

Sept. 29-Oct. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

Nov. 2-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention at the Boca Raton Club.

Nov. 30-Dec. 5, 1958 (Miami Beach, Fla.)
Investment Bankers Association of America annual convention at the Americana Hotel.

Gearing Economic Policy To the Crisis Before Us

By HARRY A. BULLIS*
Chairman of the Board, General Mills, Inc.

Mr. Bullis urges bold, aggressive plans for American industry to meet double threat of Sputnik and economic recession. Deploring a Maginot military stance, Mr. Bullis wants in our defense overwhelming strength in scientific knowledge, reliance upon private industrial enterprise, and fiscal policies dedicated to economic growth. Asks business to: keep prices stable, increase sales and promotional efforts, step up research and development, and avoid becoming a victim of psychological fears. Sees business higher in 1958 than this year.

In this time of world political crisis, we in the United States should ask ourselves a searching question: Have we permitted the radar warning line, our continental radar defense and our intercontinental bombers to become a sort of Maginot line that has lulled us into a false sense of security? Should we not take the offensive to regain leadership in science and rocket weapons in the eyes of the world? Is not the best defense a position of overwhelming strength in scientific knowledge so advanced and so far out ahead as to give pause to any who would seek world domination?

Harry A. Bullis

If our answer to these last questions be affirmative, it is again time for the Government of the United States to rely more heavily than ever before on the productive dynamics and genius of American industry. Our industrial production and know-how can assist the nation to do those things which will continue our leadership and will insure our survival in this modern age of space.

The net result of all this is that the present business slump will probably be of limited duration. It is interesting to note the extent to which the "breathing period" in our economy was misjudged only last summer. In fact, as recently as last month views were expressed that inflation was our greatest concern.

When World War II ended, about 95% of our economists predicted that economic recession would follow the war's end. What else could happen when the United States would cut back substantially on its $100 billion a year spending on the war?

What were the three factors which brought the economy through with less than a 1% decline in the Gross National Production? The first of these was the wartime doubling in total incomes. As a result, the women of America could spend two dollars where they previously had spent only one dollar.

Next, liquid savings were increased by $225 billion, and thus we were all able to buy both out of increased capital and out of increased income.

Finally, there was the pent-up accumulated "starved demand" representing the long list of goods the consuming public wanted. Our doubled incomes and our accumulated savings now rushed in to fill the void created by the drop in military spending. We had a business boom instead of a recession.

Why are we today where we are?

The Present Situation

We have not had a hopeless "creeping inflation" during the entire past ten-year period. Starting with the end of the postwar 1947-48 boom, which was caused by the release of the wartime "suppressed inflation," we first had a 4% decline in the consumer price index. This occurred from August, 1948 to February, 1950 and has been almost forgotten. Yet the magnitude of that price deflation amounted to nearly three-quarters of all the price rise we have had in the recent period of inflation, which was a 5½% rise in the cost of living from March, 1956 to September, 1957.

From 1951 to early 1956, we had what some economists have characterized as about the most stable price level period the United States has ever known. In this entire period hourly wages rose over 20%, but the consumer price index rose less than 4%.

This 5½% peacetime rise, which has lasted 18 months, was caused by a plain old-fashioned business investment boom. In 1956 and the first nine months of 1957, the investment outlays by business in new plant and equipment rose by $8½ billion. The increase was 28%.

This business investment boom increased workers' incomes well ahead of any enlarged outflow of goods from the new plants. This, together with the fact it was partly financed by bank credit enlargement, produced the 5½% price rise, which was to be expected.

The inflation is now over. The price rises have been small in most months and the October price index did not rise. The boom is ended. Business investment outlays in 1958 are expected to be reduced by 7%, or $2½ billion from the 1957 level.

Since last spring, the American economy has been on a high plateau and many adjustments have been taking place. The upward thrust which was generated by high expenditures by industry for plant and equipment, together with increasing consumer demand, has lost its pushing power. Many people are now more fearful of deflation and depression than they are of inflation.

With conditions as they are and the outlook uncertain, how can economic policies be geared to the economic outlook?

Financial and Government Policies

The first step, lowering the rediscount rate, has already been taken by the Federal Reserve authorities. In this way they have told us that interest rates have reached their peak and that money is accumulating. Liquidation of loans and reduced demand for money are combining to create easier conditions in the money market. Easier money rates should have a substantial effect on the housing and construction industry and also on the sales of consumer durables, such as automobiles.

Control over the money supply should be geared to the needs of the economy and the fiscal authorities should reinforce the easier money policy by such measures as are appropriate.

The next important step lies in the area of the Federal budget. In this budget we have an element of great strength, largely because the Federal Government has pursued reasonably conservative policies. When the Second World War ended, the national debt was $279 billion. Today it is $275 billion. Yet in the interval, the gross national production of our economy has increased from $209 billion in 1946 to $435 billion in 1957.

Furthermore, since the 1955 fiscal year, receipts of the Federal budget have risen from $60.4 billion to an estimated $73.5 billion in the present fiscal year. This increase is largely the product of economic growth induced as a result of the $7.4 billion tax reduction which became effective Jan. 1, 1954. This tax reduction counteracted the cut in defense expenditures after the Korean truce, and brought about so strong a recovery in the economy that we moved from a $4.2 billion budget deficit in 1955 to an estimated $1.5 billion budget surplus in the present fiscal year. This is remarkable progress. The rise in revenues in the budget was $13.1 billion, while the rise in budget expenditures was only $7.4 billion.

The Federal budget is not only an instrument for our protection when defense and war needs arise, but it is also an instrument for the protection of our economy in peace. As soon as we can determine the needs for additional military outlays for guided missiles, we shall be able to find out which policy is most appropriate—an increase in budget outlays for defense purposes, or a decrease in budget revenues to be induced by a cut in taxes. Either of these two policies which is finally adopted, or even a combination of the two, will be stimulating to the economy.

The increases in defense spending should be compensated as far as possible by reductions in non-military sections of the budget. A balanced budget is highly desirable, but it should not be a fetish if national security would be threatened thereby, or economic growth inhibited.

Clearly, economic growth rather than financial or fiscal parsimony is the solution now to our double problem of increasing the base of defense outlays for new weapons and producing the economic expansion which will re-create high productive employment and continue a balanced budget. Our eyes should be on economic growth, rather than on the fiscal outcome of the budget *per se*. If we do not take the broader view, we will be penny-wise and pound-foolish and we could easily lose $100 of output gain while saving a penny in the fiscal area.

Even if tax reductions are not possible, there is urgent need for tax reform. The present tax laws place a premium on spending instead of saving, with the result that economic development is distorted. Tax rates should be adjusted to encourage saving and risk taking by capital.

The outlook for foreign trade is not clear but there will probably be some decline in exports, especially to European countries which are not strong financially and which have a shortage of dollar exchange. Therefore, it is important that foreign trade be liberalized and reciprocal trade agreements encouraged. The General Agreement on Tariffs and Trade (GATT) should be given wholehearted support.

In the foreign area also, our government should be prepared to offer appropriate financial aid to our allies and to certain needy nations. To curtail such aid where it is necessary, could easily create situations calling for much heavier expenditures later on.

The Employment Act of 1946 requires that the government maintain conditions of maximum employment and purchasing power. If unemployment increases materially, it is therefore incumbent upon government to take action which will stimulate employment. At the same time, it is equally important that purchasing power be maintained. To this end, the government should make every effort to check the wage price spiral. Part of the responsibility falls on the shoulders of unions which seek wage increases greater than average increases in productivity and which must be passed on in higher prices. The recent statement of Richard T. Gray, President of the AFL-CIO Building and Construction Trades Department, asking construction workers to abandon their fight for wage increases next year, was evidence that some unions are giving heed to such responsibility.

Responsibilities of Business

In a period of economic uncertainty, businessmen have definite responsibilities. It is important that we do our utmost to keep prices stable. To that end, we should improve cost controls and production techniques. We should resist unwarranted wage demands. We should remember that the customer is "king" and that he is becoming more discriminating in his purchases.

We of the industry must not only produce the things that the customer needs and wants, but we must also tell the consumer about them. Therefore sales and promotional efforts should be increased.

Although our technology has not developed "sputniks," it has given the American people the highest standard of living the world has ever known. Industry should step up its research and developments programs, so as to come forth with new products and new procedures. We can have both rockets and new products.

Most important, businessmen should not permit themselves to become victims of psychological fears. We should avoid excessive retrenchment in our buying programs, but rather we should schedule purchases on a reasonable basis. We should continue to carry out our long range plans for modernizing our plants and equipment and for expansion to meet future needs of a growing population. We should encourage foreign trade and foreign investment.

Positive Factors

As we look forward to 1958, there are a number of positive factors which should be given weight. I have already mentioned easier money conditions which will help to stimulate home building and automobile sales.

Consumer spending is still at a high level in the face of increased unemployment and a shorter work week.

Population continues to grow and the demand for food, clothing and other consumer goods is bound to increase. People are

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*An address by Mr. Bullis before the 4th Annual Press Symposium of Chamber of Commerce of the United States, Washington, D. C., Dec. 15, 1957.

Economic Outlook Implications For Interest Rates and Deposits

By J. BROOKE WILLIS*

Vice-President, Savings Banks Trust Company, New York City

Prominent banker reviews general economic prospects and their implications for savings deposit and interest rate trend. Mr. Willis foresees: (1) decline in business demands for funds being greater than net increases in housing credit or government borrowing; (2) a decline in interest rates, should business decline continue and easier monetary policy come into play; (3) slower rate of deposit growth accompanying halt in personal income rise; and (4) less intense competitive pressures from commercial banks in 1958 as interest rates fall. While unable to detect near future forces other than expanded public spending and easier money to put economy back on a rising trend, the author sees, however, basic economic growth factors generating, in due course, resumption of postwar economic progress.

The business boom has topped out during the past nine months and, judged by certain indicators, the economy has already been experiencing a readjustment for a considerable period of time.

J. Brooke Willis

The Federal Reserve industrial production index reached a peak of 147 last December and by October had declined to 142. Gross national product in current prices has continued to rise reaching $439 billion in the third quarter, as compared with $417 billion a year earlier, a rise of about 5%. *Per capita* personal income, after taxes, has risen 3% in the past year. However, rising prices have accounted for most of the reported gains in the national product accounts and all of the gain in income per person.

Within recent months the statistical evidence has increased that the economy is experiencing something more than a "breather." Yet at the same time, political events have been moving with unusual and startling rapidity and are imposing new influences upon economic behavior. The breakthrough into space by the Russian Sputnik has raised doubts about the adequacy of our national security, has precipitated a reappraisal of our Federal budget and, according to some observers, has revived the threat of inflation which only recently appeared to have been brought under control. These and other factors, including the President's health, have greatly complicated the analyses of economic conditions.

Nevertheless, the fact is that for the time being business has lost its forward momentum and entered a recessionary phase at least temporarily. The big questions are how long and how deep?

Business Investment

The most significant economic change now taking place and the one having the most bearish implications is the decline in business spending for new plant and equipment. Business investment in plant and equipment has been the main dynamic expansionary force in the economy for the past two years. It was reinforced to some extent by inventory accumulation and by a rise in our export trade balance with foreign countries. But these latter forces have been waning and, except for a probable rise in governmental expenditures and in residential construction, there is no new activity calculated to take up the slack resulting from the culmination of the business investment boom. The promise of expanding retail trade, to which not a few economists looked for a stimulus earlier this Fall, has not yet been fulfilled. Although consumer expenditures for nondurables showed a further rise in the third quarter, the prospects for automobiles and other durables have been dampened by an actual decline in current personal income, reported by the Commerce Department for September.

Since capital investment in plant and equipment has been the key factor in the business situation, it seems appropriate to examine current tendencies in further detail. These outlays for 1957 will achieve a record level of $37.2 billion, 6% above 1956. However, the important fact is that whereas these expenditures have been rising for 2½ years, they are now trending downward.

A continuation of the downtrend in plant and equipment outlays is clearly indicated by a variety of evidence including the National Industrial Conference Board-Newsweek survey of capital appropriations, the McGraw-Hill survey of business plans for capital spending, and the Federal Reserve Bank of Philadelphia manufacturers' capital expenditure survey. Similar indications are given by declining manufacturing orders, particularly orders for machinery.

The highlights of the McGraw-Hill Survey released on Nov. 8 are as follows: (This survey is based on replies received during late September and early October.)

(1) That business plans to reduce capital expenditures in 1958 by $2.6 billion or 7% over-all as compared with 1957; and most companies plan to stay at their reduced levels in 1959.

(2) The drop in capital expenditures is concentrated in manufacturing where plans call for a 16% reduction next year. In contrast, electric and gas utilities plan an increase of 3%.

(3) The main reason given for the drop in manufacturing is excess capacity which, on the Survey date, was 82% as compared with 90% of capacity reported on previous surveys as the preferred average. Operations were at 86% of capacity at the end of 1956 and at 92% at the end of 1955.

The Philadelphia Federal Reserve Bank's Survey indicates that manufacturers in that area in 1958 will spend 13% less than in 1957. An overwhelming preponderance of firms surveyed are reported to be decreasing their outlays. These intentions are confirmed by slackening in the demand for plant sites and recent weakening in the market for industrial real estate in the Philadelphia area.

For some time it has been apparent that the extraordinary rise in outlays in plant and equipment was running ahead of the probable growth requirements of the economy. Efforts by individual companies to anticipate creeping inflation in costs and to gain larger shares of industry markets were resulting in overcapacity in more and more industries.

We know from experience that fixed capital investment shows great variation historically. Just as inventories become excessive when sales decline, plant capacity becomes excessive when production falls. While there need be no long-run concern in an era of invention and rapid obsolescence that capital investment will dry up, as it did in the 1930's, there are grounds for expecting extensive current revisions in capital expenditure programs. As matters now stand we are in a period when additional capital outlays are governed more and more by what they promise in near-term economy of operation and less and less by the sheer need to enlarge the size of the facilities.

In the past, the high cost of labor has been one factor inducing management to substitute equipment for labor. However, when plant is used at less than optimum capacity, the potential gains in productivity appear more doubtful. This together with the high cost of capital and smaller profit margins is causing managements to cut back expansion plans until economic circumstances appear more favorable.

Possible Offsets

Many economists expect to see in 1958 a sidewise movement in economic activity at high levels, or at worst visualize 1958 as a shallow saucer. They expect the decline in plant and equipment outlays to be quite moderate; they believe that consumer and government spending will more than offset lower business investment; and they have great faith in the twin economic stabilizers of monetary and fiscal policy. Population growth also plays an important role in their calculations.

The important analytical question is not whether an increase in one type of spending will be greater than a decrease in another, but whether or not, given a decline in capital expenditures, we can escape the secondary effects it engenders. Economic readjustment implies the correction of imbalances, e.g. between capacity and production, the particular aspect I have emphasized. Therefore, it is worth while examining the specific areas where demand appears most likely to pick up.

Residential Construction

Residential construction has been in a recessionary phase for about two years. Recently, housing starts appear to have leveled off and for 1957 as a whole will total nearly 1,000,000. Next year could result in a modest rise in starts and, therefore, in expenditures on residential construction.

The Joint Department of Labor, Department of Commerce forecast, released Nov. 15, estimated 1958 housing starts at 1,100,000. Total new residential building, private and public, was expected to rise by 8% from $17.0 billion to $18.4 billion. This reflects a $675 million increase in new private units put in place, an increase of $335 million expenditures for alterations and repairs and an increase of $345 million for new public residential buildings.

These estimates were based on the assumption that changes in income and employment would not be great enough to affect new construction significantly and were made before the recent lowering of discount rates by the Federal Reserve Banks. The supply of mortgage funds was then regarded by the estimators as the chief limiting factor upon home building next year.

Now it would seem that the availability of funds will be improved by an easier Federal Reserve policy but it is not clear by

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*An address by Mr. Willis before the 11th annual Mid-Year Meeting of the National Association of Mutual Savings Banks, New York City, Dec. 9, 1957.

Business Man's Bookshelf

Business Outlook for 1958—Conference Board Economic Forum—National Industrial Conference Board, Inc., 460 Park Avenue, New York 22, N. Y. (paper), $1.50.

Effecting Change in Large Organizations — Eli Ginzberg and Ewing W. Reilley — Columbia University Press, 2960 Broadway, New York 27, N. Y.—$3.50.

Electronic Computers and Business Indicators—Julius Shiskin—National Bureau of Economic Research, Inc., 261 Madison Avenue, New York 16, N. Y.—paper—$1.

Final Declaration of the Forty-Fourth National Foreign Trade Convention — National Foreign Trade Council, Inc., 111 Broadway, New York 6, N. Y.—paper.

Financing Highways — A symposium — Tax Institute, Incorporated, 457 Nassau St., Princeton, N. J.—cloth—$5.

Italian Affairs, September, 1957, containing articles on Economic Balance Sheet and the National Income; the Customs and Excise Guards; Italy's Rail Communications with Other European Countries; Popular Tourist Provisions, etc.—Italian Affairs, 56 Via Veneto, Rome, Italy (paper), 15c per copy; $1 per year.

Pension Plans with Special Funding—John Hancock Mutual Life Insurance Company, 200 Berkeley Street, Boston 17, Mass.—paper.

Post War West German and United Kingdom Recovery — David McCord Wright—American Enterprise Association, Inc., 1012 14th Street, N. W., Washington 5, D. C.—paper—$1.

Refrigeration, Air Conditioning & Cold Storage — Chilton Book Division, 56th & Chestnut Sts., Philadelphia 39, Pa.—$17.50.

Regulation of Rail - Motor Rate Competition — Ernest W. Williams, Jr.—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth), $4.50.

Report By Superintendent of Banks, Republic of Peru for year 1956 — Superintendent of Banks, Lima, Peru (paper).

Survey of Manufacturing Activity in Australia — Department of Trade, Melbourne, Australia—paper.

White Collar Jobs in Manufacturing — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y. (on request).

Hayden, Stone & Co. Will Admit Two

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit William R. Jones and Joseph E. Swan, Jr. to partnership. Mr. Jones has been with the firm for some time.

E. F. Hutton & Co. To Admit New Partner

E. F. Hutton & Co., 61 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Walter V. Dixon to partnership.

Specific Labor Proposals of Eisenhower Administration

By HON. JAMES P. MITCHELL*

Secretary of Labor of the United States

Proposed Federal labor legislation recommended for 1958 Congressional action by the Eisenhower Administration would help prevent abuses in union funds, union democracy, and labor-management relations. In presenting specific proposals, Labor Secretary Mitchell states: (1) basic responsibility in these areas will remain with the union, as the Government wants to keep its involvement in the internal affairs of unions to minimum required to eliminate abuses; (2) the Administration would fight against any national right to work law outlawing the union shop, and (3) the recommendations will include Taft-Hartley revisions of secondary boycott and "hot-cargo" practices.

The AFL-CIO, with the strength and wisdom of generations of great and true leaders is, I am convinced, doing everything in its power to correct what is wrong, to right what is evil, and to safeguard the integrity of the labor movement. In this effort every man of good will joins.

James P. Mitchell

Strength is the result of challenge. From crisis comes greatness. George Meany and his fellow men of responsibility have responded to the challenge and faced the crisis, and I believe that increased greatness for this organization will surely follow.

It is thus with profound confidence in the AFL-CIO that I pledge to you today the sympathetic support of the Executive Branch of your government in your efforts to maintain the integrity of the American labor movement. And I am glad that here today for the first time, I am able to announce the specific proposals that the Administration will make to Congress to effect this support.

Before I tell you of these proposals, however, I would like to set forth some general principles which have guided and will continue to guide the Administration with respect to labor-management relations.

Guiding Principles

First, it is the firm and permanent policy of our government to protect by law the right of American working men and women to organize into unions and to bargain collectively through representatives of their own choosing.

Second, it is the policy of our government that the proper functioning of labor-management relations depends on the actions and sense of responsibility of labor and management themselves; and that vital to the strength of American labor-management relations and the trade union movement is that each be free from governmental domination. We do not propose to depart from this basic principle.

Thirdly, it is the policy of our government to provide a framework of laws to protect the basic rights of individuals when voluntary processes fail to do so.

These are the principles upon which we base our proposals for improvement in the framework of laws surrounding labor-management relations.

Now I do not think there is any question in the minds of any of us here today that some trade union officials have woefully abused their power and influence at the great expense of many union members; that they have conspired with reprehensible employers or employer agents against the best interests of many working people; and that they constitute a threat not only to the trade union movement but to the nation.

This being the case, I am sure you will agree, it has become necessary for Government to act.

In acting, however, this Administration will not permit those who have never approved of organized labor or collective bargaining to use labor's present difficulties as a club to suppress unionism.

In President Eisenhower's words: "The American labor movement must be free to pursue efforts to achieve social and economic gains, which in the past have benefited the nation as a whole."

I promise you here today that this Administration will not propose and in fact will vigorously oppose any legislation designed to bust unions. We will not recommend any changes in the Taft-Hartley Act having to do with the right of a union and an employer to enter into a voluntary agreement which provides for union security. In short, we will not recommend a so-called national right-to-work law and we will oppose such legislation if it is proposed.

Next I come to the question of the application of anti-trust laws to unions. I believe that working men and women who choose volntarily to join together for the purposes of collective bargaining have inherent rights and our laws should acknowledge and reflect those rights. The labor of man is not a commodity to be bought and sold in the market place like a sack of potatoes. I feel it is an affront to the dignity of the American worker to assert that his work should be regulated by the same laws which are designed to preserve competition in business. I can assure you that this Administration is not proposing any move to extend anti-trust laws to unions. As a matter of fact it should be remembered that these laws at present cover instances where a union and an employer conspire for the purpose of controlling the market. I would be against the further extension of the anti-trust laws to unions.

This then is what the Administration will **not** do. Now, what will we do?

Administration Proposals for the Protection of Individual Workers

In the first place, the President's proposals to Congress will leave the basic responsibility for honest and democratic trade unionism right where it now is—with you. They will open to public view and inspection some of the areas of union and management affairs which are now hidden and in which crooks and racketeers have operated.

In addition, the President's proposals will correct certain conditions which appear to have encouraged abuse and oppression on the part of some people. I believe that these proposals avoid any headlong rush towards remedies which are only illusory, or which will unnecessarily hamper the ability of workers to organize and bargain collectively, or which will inject the Government needlessly into the internal affairs of labor and management. In no way do they endanger the integrity of the labor movement or its component unions.

Next month the President will make the following proposals to Congress for legislative action to protect the rights of individual workers and their union funds:

Reporting Requirements

Employee Welfare and Pension Plans—The public has been aware for some time of financial irregularities in the administration of welfare and pension plans. We are proposing action on a recommendation which the President has made repeatedly since 1954 to protect the equity which millions of workers have in these plans. Our proposal would require registration, reporting and public disclosure of the operations of **all** health, welfare and pension plans—whether they are union financed and operated, employer financed and operated or jointly financed and operated. The AFL-CIO has already indicated its general support for this recommendation.

Financial Reports From All Unions—We shall propose that all labor organizations, local, national and international unions and local, state and regional conferences and councils, file annual financial reports with the Department of Labor. This proposal would require labor organizations to keep their books and records available to their members. It would also require that officers who handle union funds and property be held to a high degree of responsibility to union members and be subject to suit by them for failure to discharge this responsibility.

Union Organization—I know you agree with me that strong, fair, democratic procedures are the best safeguard an individual union member can have that the affairs of his union will not be taken from his hands by force or fraud. And I must here again state my belief that the American working man knows better than anybody else what is good for his union. We are going to propose, therefore, that all labor organizations file annually with the Department of Labor, as most do now, copies of their constitutions and by-laws and report annually their procedures and practices with respect to such things as qualification for or restrictions on membership, election of officers, calling of regular and special meetings, levying of assessments, imposition of fines, authorization for disbursement of union funds and expulsion of members.

These reports would be made to the Department of Labor and would be open for inspection by the public and any union member.

In the same manner, we are going to propose that these unions be required to show by appropriate reporting that their members have the right and opportunity, at intervals of not more than four years, to elect their local officers directly by secret vote, and their national or other officers either directly by secret vote, or through delegate bodies elected directly by the membership by secret vote.

Conflict of Interest—And finally, in this general area of reporting, we will propose that employers report annually payments made to employee representatives, either directly or through a third party, which run contrary to the rights and welfare of individual union members and are prohibited by law.

And we will also proopse that labor organizations and their officers report annually financial dealings with employers or employers' representatives. It is the intent of this proposal to bring union-employer financial transactions into the open light of day, where conflict of interest, bribes and collusion cannot long abide.

The Administration will also propose that a new bribery section be added to the U. S. Criminal Code to make it a felony for employers or employers' representatives or union officials or their representatives to make or receive payments to influence the actions of either.

Powers and Sanctions—Under these proposals, the Secretary of Labor would have broad powers to investigate the accuracy of these reports, with the right to subpoena witnesses and evidence.

False statements could result in fines and jail for individual violators.

Embezzlement of welfare and pension or general union funds could lead to criminal prosecution of the individuals involved by the Federal Government, prosecution not now authorized.

And finally, any union that wilfully failed to file true and proper reports on general funds and organization could be compelled to forfeit its National Labor Relations Board status and its tax exempt status. This action, however, would be taken only after the full protection of administrative law and court review had been accorded in order to protect unions against hasty or capricious action.

A Commissioner of Labor Reports—All of these reports would be made to a Commissioner of Labor Reports, to be appointed by the President with the advice and consent of the Senate. He would serve directly under the Secretary of Labor and would exercise for the Secretary his powers of investigation for accuracy and subpoena of witnesses and evidence. All of these reports would be open to public inspection.

Except for the requirement of a secret vote for the election of officers, these reports do not in any way dictate to unions what they should do about their internal affairs, but they do require that unions report accurately on what they are doing.

Other Proposals

The second phase of the President's proposals will consist of additional amendments to the

Continued on page 104

*An address by Mr. Mitchell before the 2nd Constitutional Convention of the AFL-CIO, Atlantic City, N. J., Dec. 5, 1957.

Challenges to Banking in 1958

By HOWARD P. PARSHALL*
President, Bank of the Commonwealth, Detroit, Mich.

Drawing upon 45 years of banking experience, Mr. Parshall broadly reviews several items that bankers will have to contend with in 1958 and offers a succinct prescription to "cure" inflation. The Detroit banker emphasizes that "bank earnings have been far too low," and suggests securance of a good profit margin by: lowering present high interest rates on savings accounts, increasing service charges, and supervising government securities more carefully. Charges Federal Reserve Board with dealing with symptoms of inflation and not the disease itself, and notes we have had almost continuous inflation and semi-managed economy since leaving gold in 1933.

I know a little bit about that which happened yesterday, and perhaps last week; but know little or nothing concerning that which will happen tomorrow. A good illustration of this happened on Thursday, Nov. 14 at 4:00 p.m. My phone rang and a broker friend of mine informed me that the rediscount rate for banks borrowing from the Federal Reserve Bank had been lowered by four banks, namely: New York, Atlanta, Richmond and St. Louis, to 3%. This was a move of some magnitude and of far reaching effects. Yet I venture to say not many people knew that this action was to be taken.

H. P. Parshall

Savings Interest

Going back before the bank holiday, in the early '30s, the prevailing rate of interest paid by banks on savings accounts was 3%. The banks also paid interest on many commercial accounts and correspondent bank accounts, the prevailing rate being 2%. Interest rates on loans were somewhat higher than they are at the present time. On many of the "Over-the-Counter" loans, the rate was 6%. After the bank debacle of the '30s, regulations were passed limiting the interest that could be paid on savings accounts to 2%, eliminating entirely the payment of interest on commercial accounts. It's too bad that it had to come in this fashion, a regulation, but it was certainly needed and did much good. Now, we are in some danger of again getting the rates too high, as banks are again permitted to pay as high as 3% on savings accounts, and some banks have intimated that they would again like to be permitted to pay on commercial balances. Our memories are so very, very short.

A note of warning is in order on the payment of savings interest. In my opinion, 3% is too high. We do believe that the prevailing interest rates on mortgage loans, business loans and the yield on bonds is realistic and it is to be hoped that these rates will prevail for a long time. Under present conditions, a 2% rate on savings would be in order, and I might add that 43% of the state and national banks in this country are at present paying 2% on savings. A couple of months ago, a survey was conducted which showed that banks throughout the country are paying savings interest rates as follows:

Rate Paid	Percentage of Bks. Paying Said Rate
1%	10.9
1½%	5.1
2%	43.2
2½%	19.1
3%	14.7
Other	1.1
Split-Rate	5.9

Earnings

It has been my privilege to be a part of banking for a period of 45 years. It is my considered opinion that over all of that period, or practically all of it, bank earnings have been far too low. We appear to apologize for being in the business. Too many of our services were in the past, and some today, are free. We can no more afford to give our services without pay than a well run department store can afford to give its merchandise away. We have made considerable improvement in these later years and the interest rates we now charge, under present conditions, seem to be realistic. They are not too high. Service charges should be increased. The fees for transferring money, both by wire and letter, and the charge for drafts should be increased. The fees should rise as the amount of money transferred increases. It is ridiculous to charge the same price for a $10 draft as you charge for a $100,000 draft or cashier's check. Rentals of safe deposit boxes are entirely too low.

A bank should show sufficient earnings to pay good salaries, comparable with salaries in other industries employing like skills; pay liberal dividends to its shareholders—provide for losses and make additions to capital funds for growth. Its net earnings should be at least 1% on average total deposits, after payment of income taxes and all expenses. It is difficult to measure a bank's earnings on capital funds, due to the various ratios of capital funds to deposits. Our stock in trade is deposits—so the yardstick should be deposits. Those banks which are making 1% net on your deposits after paying good salaries are to be congratulated. Let's remember this—**that in order to be of value to its community, to its shareholders, to its depositors and staff members, a bank must show good earnings.** Keep that 1% figure in mind, please. Do not seek additional earnings by adding to your portfolio those securities with a high rate of return; for generally speaking, when you seek rates higher than those prevailing for the security in mind, the intrinsic value of the security declines as the rate of return increases.

Personnel

The importance of good personnel—a good staff—in our banks cannot be over-emphasized. We have many advantages over employees in other industries, but nothing takes the place of adequate pay for services rendered. We need more men in our banks—the women are good and thank God for them—but due to the very nature of things, they cause a rapid rate of turnover. There are many things that a bank can do to improve its relations with its employees and secure high grade people. Of course, I repeat, the main one is **adequate salaries** — good working conditions, the five day week, weekly pay and of course employee training. In other words, personnel is very important; and should be given adequate attention. Successors in management must and should be provided. Today, as never before, courses in banking and economics are being offered by many universities, and our own american institute of banking is doing an excellent job. Encourage your people to avail themselves of the banking knowledge that is being offered. There are enumerable books on all phases of banking. Encourage dog-eared banking manuals.

New Business and Deposits

Deposits are our stock in trade and without them we cannot exist. We are only worth our salt if we get these deposits in. Put them to work profitably and always return them to the owners upon demand. This is a large size order. The acquisition of new deposits is paramount. It is good for the officers of a bank to be pillars in their community, to engage in all worthwhile community activities and to call upon their customers. Many banks have "specials," men whose sole activity is the acquiring of new accounts, mainly commercial but also savings business. We have found that you should select men who are salesmen, who like people and who enjoy the promotional effort. They are the ones to be in your new business department. We believe that this is a more successful procedure than to depend on the officers to make the calls, although both methods are desirable. Remember, that as long as a new businessman produces sufficient volume that the earnings on these new deposits will pay all of his expenses, his salary and produce a profit for the bank, he is a valuable asset and you can multiply him many times.

Loans

The making of loans and buying of securities is just as important as other activities of the bank, and more important than all activities with the exception of acquiring deposits. Here again, every bank, large or small, must have men of discernment and training in order to make proper loans. This is such a vast subject that I will not dwell upon it. We all have to contend with this in the banking business. Here is my definition of a good loan:

It is for the least amount of money and for the shortest length of time that will accomplish the purpose intended.

Government Bonds

Since World War II, banking and our whole economy have gone through a drastic change. Government bonds and likewise government debt were practically unknown prior to World War I. Government debt did not become a prime factor in our economy until World War II. I will not bore you with statistics—I didn't even bother to check on the amount of government bonds owned by our banks; but it is many billions of dollars. We consider government bonds secondary reserve in banking, and I believe rightly so. Most large city banks have a man who devotes a considerable portion of his time to the handling of the government bond portfolio—he is an expert. Smaller banks just cannot afford to have on their staff this kind of an expert. They do have the knowledge that is possessed by their correspondent banking connections to draw upon. Also, there are some very good bank investment counselors for guidance, not only in connection with their government bond portfolio, but all other investments, also good rating agencies.

The important thing, I believe, is staggered maturities of government bonds. In my opinion, a bank should not have very many, if any, bonds beyond a 10-year maturity. In staggering your maturities, you should attempt to provide sufficient short term bonds to meet at one and the same time a fall off in deposits with an increase in demand for loans. Sometimes, quite often in fact, these two conditions exist simultaneously. Also, in connection with the larger government bond portfolios, there are opportunities to make capital gains by buying and selling securities. There are times when a bank can and should take capital gains by selling government bonds and more recently, we have had good opportunities to take losses by selling government securities. It is possible to take losses by selling Government bond securities and actually improve your bank's earnings over a period of years. This is due entirely to the peculiarity of our tax laws and especially the capital gains provision. Do not think that I am advocating taking losses — I am a profit man myself; but I did think that we should bring it to your attention.

Inflation

Inflation and sound money . . . I mention these two economic topics together, not because they are synonymous; but rather because they are opposites. Since going off the gold standard in 1933, we have had almost continuous inflation and a semi-managed currency and economy. We will not go into a detailed discussion of this subject. The writer is not equipped to do that. We will simply mention that our currency is very, very delicate. Faith and confidence are what make it effective. It seems to me that the board of governors of the Federal Reserve System, in controlling inflation, are dealing with the symptom and not with

*An address by Mr. Parshall before the Michigan Bankers Study Conference, University of Michigan, Ann Arbor, Mich., Dec. 5, 1957.

the disease itself. I have a cure for inflation. Here it is:

* * *

Reduce our annual budget by $10 billion. This would leave a budget of approximately $61 billion. Reduce taxes $5 or $6 billion, and do so by eliminating as far as possible the excessive taxes in the higher brackets. Include in the $61 billion budget an item for approximately $8 billion to pay on the principal of our debt each year. Well, there it is for what it is worth—simple, isn't it? I am afraid not very practical for the reason that no political party would adopt it; but I am certain that it would be effective and in itself would curb inflation and preserve sound money. **It deals with the disease itself and not with a symptom.**

Independent Banking

This is a vital, live issue; one with which bankers will have to contend, for a number of years. We happen to believe strongly in the American system of banking, and are the only country in the world which has so many independently operated banks. I remember when a young man I was Assistant Cashier of a small bank in Ligonier, Ind. I was actually Cashier of the bank, but had just turned 21; and they thought me too young for that title. I had authority to make loans, and while I knew the businessmen of our town fairly well, I was not very well acquainted with many of the farmers. This was the day before credit files. I doubt if I knew what a financial statement was at that time.

However, here was our bank situated on the main corner of the town. This was a Jewish community. Next door to us, Eli Jacobs owned the dry goods store. Half way down the block on the alley, Meyer Jacobs owned a men's clothing store. Well, Sir, when some of the farmers came in for small loans to tide them over until harvest time, I would make an excuse for a delay of a minute or two, and would go out the back way and see either Meyer or Eli Jacobs; and when they told me that a loan was good or was not good, that was excellent advice, and I always followed it and the loans turned out as they said.

Now, supposing that this had been one of a chain bank with a head office in Indianapolis, we will say. Well, we just know that it would have been physically impossible for a man from Indianapolis to get over to Ligonier in time to talk to Meyer or Eli Jacobs and make that loan. It just couldn't be done. So . . . this is one good reason for locally owned banks operated by local men who know the people and the community needs. We have a form of branch banking in Detroit and I believe it is good; and it might be at some future time that the boundary line of branches could be extended somewhat, due to the fact that so much of our business and so many of our people are moving to the suburban areas. Let's hold fast to our form of banking—locally owned — locally operated. Independent banking for independent people operating in an independent economy.

Conclusion

I have touched upon some of the things that will demand the attention of bankers next year and probably for many years, and there are also many other matters such as operations, bank buildings, protective devices and I am sure many other items, including of course our old stand-by taxes. There is also one other item that I would like to mention in detail. This I know bankers will have to contend with in 1958 — it is so very, very important and such a little word; only four letters. The word is w o r k. Some people think of their work as onerous and drudgery, and many of us regard it as one of God's blessings. Fortunate, indeed, are those who are in the latter classification. Here is the first stanza of a short poem illustrating my point:

Be brave—we are not here to play, to dream, to drift, we have hard work to do and loads to lift, shun not the struggle, face it—tis God's gift.

I recently wrote a memorandum covering the knowledge and training that a good superintendent of branch banks should possess. I was amazed—he has to be almost a "superman"—and all of the banking profession are "supermen."

Rutter Co to Admit

Rutter & Co., 20 Exchange Place, New York City, members of the New York Stock Exchange, on Dec. 26 will admit Mildred H. Rutter to limited partnership.

R. W. Pressprich Co. Opens Coast Office

R. W. Pressprich & Co., members of New York Stock Exchange, have opened a San Francisco office at 605 Market Street under the management of Thomas E. Liebermann. The firm also announces that Gordon Dickinson Williams will be associated with this new office.

In a previous issue of the "Chronicle," reporting the opening of the new office, it was incorrectly indicated that Mr. Williams would be the Manager.

Form Vanguard Secs.

Vanguard Securities, Inc. has been formed with offices at 52 Broadway, New York City, to engage in a securities business.

The Puerto Rican at Home: Operation Bootstrap

By EDWARD MARCUS
Associate Professor of Economics
Brooklyn College, New York City
Economic Consultant, Ira Haupt & Co., New York City

The real pre-tax profit gains of American firms in Puerto Rico compared to mainland earnings, the excellence of the local labor force, strategic intermediate fabricator position between the raw material supplying countries of South America and the U. S. market, and prospects for greater integration of the Island's firms in supplying the domestic market are indications, according to Professor Marcus, of Puerto Rican business opportunities. Products bearing a low transportation cost to selling price constitute the Island's strongest forte and, as the writer points out, testifies to success of "Operation Bootstrap" in countering population growth and succeeding in raising the standard of living second highest, to Venezuela, in all Latin America.

Although the Commonwealth of Puerto Rico is only a few hours by air from the mainland, the average American is as ignorant of the Island as he is of the more distant parts of the Pacific Ocean area. Vaguely he is aware that they are citizens, for the unrestricted immigration accompanying that status has brought thousands — indeed, hundreds of thousands—to the larger urban centers, and, in particular, New York City. Like the many waves that preceded them, these newcomers are found mainly in the lower paid and unskilled jobs, reflecting the lot of the first generation immigrant, strange, unfamiliar, and initially unsuited to the "American way of life". Each day more planes arrive from San Juan, the capital, adding still further to the housing problem now faced by so many of their brothers. It is estimated that New York City alone has between two and three times the number of Puerto Ricans that now live in San Juan, the Commonwealth's largest city, and that there is one Puerto Rican living in the United States for every three in the Commonwealth. One-third of all Manhattan schoolchildren up to the junior high school level are Puerto Ricans!

Edward Marcus

Yet, even the casual visitor to the Commonwealth must wonder why there is this wholesale migration. It is certainly a pleasant place to spend one's winter vacation, and the boom in San Juan's hotel construction is evidence that here is a delightful place to forget the rigors of the colder North. Nor is this prosperity limited to the tourist trade; all over the Island there is an immense unfurling of creative energies indicative of a people on the move. Only when viewed against the tremendous problems that this program is combatting can a clearer picture be obtained of these various cross-currents that make the composite Puerto Rico today.

I. Operation Bootstrap

According to the 1950 Census Puerto Rico had a population of almost two-and-a-quarter million living in an area of 3,435 square miles, or almost 700 per square mile. This overcrowding can be illustrated by a simple comparison: were all the world's peoples to move into the present continental United States, the density would probably be no greater than in Puerto Rico. Moreover, less than a tenth of the two million acres of agricultural land is first grade, while about 800,000 can be considered arable. Of the latter, sugar accounts for 35% to 45%. Much of the country is mountainous—beautiful like El Yunque, the rain forest, but poorly suited to support a people hard-pressed for existence. Much of the wood is low-grade or waste, so that efficient methods cannot be used to harvest the commercially valuable types. Even desertland claims some of the precious space.

Accounting for and increasing the population pressures is the high birth rate, while modern sanitation has reduced the death rate sharply. In 1956-57 the birth rate was 32.9 per thousand population, only some 15% below 1940, while the death rate was 7.0 per thousand, or 60% below 1940. Were it not for migration, such an increase would double the total in a quarter of a century.

As recently as 1950 per capita income was estimated at $322, less than half that of the poorest of the 48 states, and about a sixth the New York State average.

To meet these challenges, the Government of Puerto Rico has been trying to induce rapid industrialization through its "Operation Bootstrap", primarily by attracting mainland firms to establish plants in the Island. By funneling its surplus labor into manufacturing, the over-all productivity can be raised, and with it the standard of living. Government-aided enterprises with the bright "Fomento" insignia indicating their sponsorship have sprung up all over the Island, and now account for about a sixth of the Commonwealth's income. The Puerto Rican standard of living has been raised to the highest in the Caribbean, second only to oil-rich Venezuela among the Latin American countries.

II. Real Business Gain

To produce the magnet for the American industrialist, the Commonwealth resorted to a series of measures designed to lessen the tax burden on the new entrant. For example, a corporation could be exempt from the Commonwealth income tax for ten years on income earned in the Island. Moreover, Federal individual and corporate income taxes are no longer in force in the Commonwealth (since 1950), thus making the location doubly exempt. Only if the corporation's income is subsequently distributed, for example, as dividends to the mainland parent, does it become fully taxable. (Unlike dividends within the 48 states, this distribution would not be given an 85% credit.) In addition, Puerto Rico allows flexible depreciation at whatever annual rate the company wishes, thus introducing still further savings if desired.

As a result, in part, of the above legislation, many companies have been induced to establish units, at first mainly the smaller producer, but as time passed more and more of the larger corporations—General Electric, Union Carbide—also participated. To date the bulk of the additions have been in textiles, apparel, electronics, and plastics, reflecting the Island's transportation problem—only products with low transport-to-finished price ratios would find the relocations suitable.

As would be expected, most of the beneficiaries have been Mainland-financed establishments. Half the net investment has come from the mainland. And the Island is now dotted with names familiar to the Stateside resident.

But the motivation has been more than just the search for a tax haven. A recent study comparing pretax profit margins for American firms in Puerto Rico with all U. S. corporations indicated that the former had a return more than half again as high as the latter (in 1955, the latest year for which data were available). Only four years earlier the two had been about the same, but with the experience gained in these new operations, the Puerto Rican worker slowly stepped up productivity, and with it the margin of profit. Of course, thanks to the tax differential, the after-tax margin had been much greater for the Puerto Rican-based firm in both years, some threefold that of the American-based company in 1955.

The quality of the labor force has also been an asset, and has proved more pliable than is generally expected of a rural, untrained area. The high birth rate, although it has created its own pressures, has provided a plentiful supply of young, strong employees, able and willing to learn the new trade techniques. Moreover, the typical worker—male or female—has shown unusual manual dexterity coupled with precision operation. Unlike so many of the Mainlanders, they have shown themselves well adapted to the long production runs characteristic of modern industry, and show less tendency to boredom. They like their jobs, and understandably so, since they realize that the alternative is low-paid back-breaking agricultural work. Even the women reflect this feeling, "dressing up" when they come to work.

Nor is local labor paid sweatshop wages. The Commonwealth does not wish to become a sanctuary for that type of firm, and has its own minimum wage for purely local industries; those selling in interstate and foreign commerce are subject to the Federal Fair Labor Standards Act. These minima, of course, are lower than their Stateside counterparts, but so is the productivity. Actually, as the latter improves, the minimum is usually raised. Even fringe benefits, usually lacking in an area that is first industrializing, are gradually entering the local wage structure, though these probably account for no more than 5% of the total payroll.

That the attempt to raise wages and productivity has not been an empty gesture can be seen quite plainly from the average manufacturing wage. During the past five years the Puerto Rican average has risen about half, while the Mainland average has gone up only a fifth. The former, of course, is still lower, amounting to perhaps only a third the latter. Although he has gained relatively, the absolute differential is still very wide for the typical Puerto Rican factory worker, so that the competitive advantage has not been lessened.

Moreover, these gains have been employed in very visible ways to raise local living standards. Throughout the Island homes in the $6,000-8,000 class have sprung up, financed mainly by the Rockefeller-supported International Basic Economy Corporation ("IBEC"). A 5% downpayment makes it accessible to thousands who had previously been condemned to slums and shacks. A trip through any urban area will reveal the widespread housing boom, sporting television antennae and the numerous electrical appliances that the masses all over yearn for. Meanwhile, as an extra assist, the cost of distribution is being attacked through the rapid introduction of supermarkets, thus enabling the newly-won dollar to go that much further. San Juan alone has more than a dozen to serve its quarter-million population.

Furthermore, the Puerto Rican has not gone "overboard" in his prosperity. FHA foreclosure statistics indicate a rate only one-fourth that experienced in the United States itself.

It might be noted that this industrial progress has not been limited to the larger centers. The Government has been making particular efforts to get new businesses to locate in the smaller communities, and since 1950 the proportion of employment in the factories promoted in these regions has more than doubled, while the absolute number employed there has risen almost tenfold.

Probably the biggest disappointment and continuing problem is the lack of local participation in the over-all industrialization. To some extent this is unavoidable; large amounts of capital are often necessary for such undertakings and the local markets simply do not have the means for mobilizing the necessary capital.

But even among the areas traditionally native-owned the record has been unimpressive. From 1949 to 1957 employment declined a quarter compared with almost a 50% gain for the Government-sponsored sector. Sugar, once the mainstay of the country's economy, showed a severe decline. Few Puerto Rican firms produce for external markets, so that they lack the pressures or the ability to meet the sterner competition that brings about the increased efficiency.

III. Accomplishments

What have been the results of these attempts to raise the Island's living standards primarily through its own efforts—Operation Bootstrap, to give its popular title? Certainly, there has been much accomplished. From 1950-51 to 1956-57 the Commonwealth Gross National Product rose some 55%, a rate higher than on the Mainland. In the Government-sponsored plants the average earnings are now more than $1,000 per annum per worker, or some $2,000 per family. Had it not been for the program, there is no question that the income of the Commonwealth's rapidly expanding population would have actually shown a decrease.

Construction employment has been the outstanding gainer, partly because the type of labor required is especially suitable for the former agricultural worker. The Island's industrialization and tourist programs have made for many new jobs in erecting buildings, adding highways, and putting in

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Two From Texas

By DR. IRA U. COBLEIGH

Enterprise Economist

A year-end look at two up-and-coming Texas companies, in entirely unrelated fields of endeavor—Lone Star Steel Company and Texas Instruments, Inc.

Ira U. Cobleigh

We don't know just how the bracketing for today's piece got arranged, but we do know that these Texas entries are lively companies, operating in expanding segments of our economy. Both should make more money next year than this; and both should make a genuine appeal to investors seeking growth equities — assuming of course, that such have not gone out of fashion in the tired markets of today.

Lone Star Steel Company

Lone Star Steel has experienced a swift rise in corporate stature. It was founded in 1942, and now is an integrated producer majoring in steel and cast iron pipes. Starting off as an operator of a Government built and owned blast furnace during the war, it wound up buying the plant at twenty cents on the dollar of cost in 1948. It wasn't just the steel mill at Lone Star, Texas (how Texan can you get?) but 56,000 acres of ore lands and some coal mines in Oklahoma also went with the deal. In 1950 a cast iron pressure pipe foundry (80,000 ton capacity) was built. In 1951 Lone Star arranged a $87 million loan (RFC) with which funds it built, in the next two years, an electric-welded steel pipe mill, and related slab and strip mills. This was a big venture stepping up annual ingot capacity to 550,000 tons. But it was a smart investment.

When the facilities were all built and under way, Lone Star was ready and able to turn out the finest oil well pipe around, and it had the very great advantage of being within 500 miles of three-fourths of all the oil drilling in the U. S. A fine product, nearness to customers and a big bulge on competitors due to lower transport costs — all these have kept Lone Star Steel humming. In addition, the company does a rapidly expanding business in cast iron pipes for water supply which, in the Southwest, has become a major long range problem.

Lone Star has, with the exception of a strike this Fall, been operating at capacity. It expects to continue that way in 1958, in sharp contrast with many of its brethren in the steel business who've been singing the blues lately.

The king size indebtedness has dictated postponement of cash dividends even though earnings have been zooming ahead. But the plowback of these earnings, plus heavy depreciation and depletion allowances (about $1.30 a share this year) have enabled a large-scale debt reduction (from $87 million to $56 million) in six years; and still left $37 million in net current assets as of 9/30/57. Sales are expected to cross the $100 million mark for the first time, this year.

Right now capitalization of Lone Star is about $56 million in long-term debt followed by 2,904,000 shares of common. The per share earnings have risen from $1.64 in 1955 to $3.50 for 1956. This year they should cross $4, and analysts are talking about $5 for 1958. The common trades over the counter having ranged in 1957 between a low of 22½ and a high of 42½. At current quotes of about 28 the stock appears adequately discounted. Here's a dynamic company headed by a real two-fisted President, Mr. E. B. Germany, who plays enthusiasm for Texas, and enthusiasm for Lone Star Steel back to back! While steel shares are certainly not the market darlings of the moment, here's one that's going to look better in 1958 and possibly pay a cash dividend for the first time. (There was a 25% stock dividend in 1949 and a 10% one this year.) Quite a company, Lone Star Steel — deep in the hearths of Texas!

Texas Instruments, Incorporated

And now, if you can stand the jolt, let's switch from steel to electronics, but sticking to the same State, withal. Let's talk about some negotiable instruments, to wit, the securities of Texas Instruments, Inc.

Texas Instruments makes transistors, a gadget that does what electron vacuum tubes used to do —but better and in 1/100th of the space. These transistors will, in due course, find their way into computers, electronic guidance and control systems, not to mention the most common applications in radios and TV sets.

The recent spate of missile launchings (and press releases!) at Cape Canaveral, points up the fact that we're now going all-out in rocketry. This is all to the good for Texas Instruments, Inc., since about one-third of its business has been the supply of electronic guidance systems for both manned and unmanned aircraft and missiles. This division of company operations seems bound to increase importantly in 1958.

Related to the foregoing is the company's optical division. Here are produced a wide assortment of spherical, cylindrical and prismatic lenses used for strategic mapping, military target location, and in infrared devices for detection, guidance, tracking and photography.

Another interesting facet of company operations is Geophysical Service Inc. This division is a contractor for field exploration for minerals of many kinds. On shore and off shore search for oil is going on all over the world. GSI (using instruments made by Industrial Instrumentation Division of the Company) makes surveys and reports based on detection devices which locate and record the depth, probable extent, and character of oil and other mineral-bearing zones within the earth's crust. This is a profitable business and a rapidly expanding one.

Texas Instruments Inc. has its main plant at Dallas, Texas, and its Industrial Instrumentation Division in Houston. The plant has always been non-union. Whether in spite, or because, of that fact, labor relations have been excellent and plant efficiency high.

Research at Texas Instruments Inc. has been patient and effective and led to pioneer production of the earliest transistors used in radios. Later on, experiments in silicon led to substantial production of that element, and its application to the manufacture of silicon transistors. Today Texas Instruments is the recognized leader in this field of silicon transistors.

The growth of this company has been phenomenal. For 1948, sales were just a shade below $5 million. This year they should cross the $65 million mark. Sales are expected to advance another 20% in 1948. The upward march of net income has been equally impressive. It was $370,000 in 1948, and should reach $3,500,000 this year.

Capitalization consists of 3,200,000 shares of common preceded by $7 million in funded debt. The stock makes absolutely no appeal to yield-minded buyers since it has paid no cash dividends, and management is not particularly interested in commencing same. This is essentially a plow-back situation wherein net earnings and net worth have risen with unusual velocity, reflected by a rise in share prices. The stock sold at 5 in 1953. This year it has ranged from a low of 15⅞ to a high of 31½. The stock, at the current price of around 24½, must be somewhere near a buying level for those interested in an animate electronic equity with high-voltage possibilities. It's not for widows and orphans, however.

In some ways, this piece today is a bit on the daring side since most of the security savants have, in recent weeks, been turning their backs on "growth" stocks and plumping for prime bonds and durable blue chips with long records of unbroken dividend payments. The Texas viewpoint, however, is that if something isn't big and growing bigger, you might as well throw it back into the Gulf of Mexico. Well these two companies are big and growing bigger. The sustained trends in earnings power, in both instances, is so pronounced as to suggest rising quotations for each stock in anything resembling a confident security market.

Short-Run Interest Rate Outlook

By EDWARD E. BROWN*
Chairman of the Board, The First National Bank of Chicago

Dean of Chicago bankers finds our recession is mild, so far; our interest rates are low by present world experience and by our historical standards; and that the interest rate trend will correlate closely with the business picture.

Barring war, interest rates during December and the first six months of 1958 will depend almost entirely upon the level of business. Actions by the Federal Reserve Board will have only a minor effect. The United States and most other countries of the world are now in a mild recession. No one can say with certainty how long the recession will last before it turns or how much deeper it may go. . . .

Edward E. Brown

To me, it seems most unlikely that the present recession will end in the first six months of '58. Assuming this to be the case, I think that interest rates, both short- and long-term, will certainly not increase in the next six or seven months and probably will decline somewhat. With a mild recession on, businesses are not voluntarily going to increase inventories, they are going to decrease capital expenditures for new plant and equipment below the level of last year, and savings are almost certain to increase. Savings in the past have always increased when people generally still had their jobs and had some worry about the security of their jobs in the future. That is the situation now, employment and income are still high, but people are concerned about the future and the rate of savings is increasing.

A lessened demand for money and increased savings can only mean somewhat lower interest rates, both short- and long-term.

Interest Rates and Business

I do not think that any action of the Federal Reserve Board would have much effect one way or the other. By open market operations or reducing reserve requirements they may give the banks more money to loan and thus slightly hasten the time of a decrease in interest rates. But the all-decisive factor determining interest rates during the next six or seven months will be the development of the business picture.

Let us not forget that by historical standards the level of business activity is still high in this country, that the recession which we are experiencing is so far slight, and that interest rates in this country are still below those in most of the world and are low except in comparison with those of the last 25 years. We cannot expect to live forever at the top of a boom period.

*Remarks made by Mr. Brown at Business Outlook Conference of the First National Bank of Chicago, Dec. 10, 1957.

Ralph Winthrop Opens

Ralph Winthrop is engaging in a securities business from offices at 1 East 47th Street, New York City.

Sidney Ungar Opens

Sidney J. Ungar is engaging in a securities business from offices at 261 Broadway, New York City.

Joins Eastman Dillon

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — James F. Cleary has joined the staff of Eastman Dillon, Union Securities & Co., 50 State Street.

With Smith, La Hue

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Harry J. Holmes has been added to the staff of Smith, La Hue & Co., Pioneer Building.

Junior Achievement Award Winners

The New York Stock Exchange, whose listed companies have an aggregate market value of $200 billion, on Dec. 17 paid tribute to two import-export executives representing a firm with a net profit last year of $9.95.

The company was Trans-Oceanic Traders of Seattle, Wash., a Junior Achievement company whose annual report has been selected from among 3,000 Junior Achievement companies as best in the nation in the annual contest sponsored by the Exchange. Junior Achievement companies are organized by high school students who float stock, make and sell products and actually operate a small-scale business as a practical program of economic education.

Taking bows for their winning report were David C. Wynstra, 17, and Larry V. George, 16. Both boys served half-year terms as President of Trans-Oceanic. Trans-Oceanic Traders was counseled by The National Bank of Commerce of Seattle.

Also honored were the four runner-up companies in the annual contest. On hand to accept second- to fifth-place honors were: Jerry Szabo, 17, representing Del-Ja-Co., Wilmington, Del. Del-Ja-Co. of Wilmington was counseled by E. I. du Pont de Nemours Co.; Jerome Wysong, 17, of Poly Products, of Dayton, Ohio, which was counseled by the Dayton Rubber Co.; Patricia Stewart, 16, of CONGINCO, Birmingham, Ala., which was counseled by Continental Gin Co., and Rolf Houkom, 17, of Tot Toy Products, Duluth, Minn., which was counseled by the Western Electric Company.

The teen-age tycoons heard Keith Funston, President of the Exchange, M. J. Rathbone, President of Standard Oil Co. (N. J.) and George Alpert, President of N.Y., N.H. and Hartford RR. praise the accomplishments of Junior Achievement and the spirit and ability of the young people who prepared the winning reports.

On hand for the award ceremonies held on the trading floor of the Exchange were over 400 teen-age members of Junior Achievement representing the J. A. programs in New York, Bridgeport, New Haven, and Hartford, Conn., Elizabeth, Newark, and Passaic, N. J.; Philadelphia, Pa.; Wilmington, Del., and Baltimore, Md.

Finance and industry in the metropolitan area joined in honoring the young people with over 400 adult executives in attendance.

Prior to the award ceremonies a reception and explanation of Exchange operations was held on the trading floor.

The Junior Achievement program is currently operating in over 200 cities with 56,000 teenagers enrolled.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks continued to put their worst foot forward this week at a season when a rally is traditional to make it doubly discouraging. The industrial average, far from lending encouragement, appeared to be in the process of testing the October low.

* * *

Tax selling was still a factor in the continued decline, but Street talk laid much of the liquidation to discouraged investors who had expected better treatment at a year-end but now have become dejected.

Dipping Indices

Basic indices were no help to either sentiment or the market—steel operations continuing to dip, auto sales lagging, layoffs spreading and forecasts generally far from hopeful. Predictions that the turn for the better won't arrive until sometime in mid-1958 are hardly calculated to spur any action this early.

* * *

As it frequently does, the market even ignored some of the hopeful spots, notably the aircraft-missile section where continued high activity is more or less assured. These shares were fully as soft as the general market when the going was rough. United Aircraft, in fact, was prominent at a new 1957 low, which is a distinctly new note in this section.

New Lows for Steels, Motors

The heavier sections, in tune with the economic barometers, were the steels and motors and their strings of appearances at new lows were long. Chrysler was the harder-hit item in the auto section more times than not while the steels were rather universally easy. Bethlehem and Youngstown Sheet gave ground a bit more readily than the rest.

* * *

While the Big Three of motordom were appearing at new lows simultaneously, American Motors was a bit distinguished in that it not only was far from threatening its low but even able to show a small plus sign at times when general selling was making a shambles of the list otherwise.

An interim report to stockholders from the company indicating that a profit of more than $3 million will replace the $2.9 million loss of the first fiscal quarter last year was largely responsible for the above-average action. American has put its major effort behind the low-priced, compact Rambler—the only maker that hasn't been involved in the race for lower, longer and more expensive automobiles.

The bet would seem to be paying off for American. The company had rolled up an operating loss of $31 million in the 1956 fiscal year, trimmed it to $10½ million in 1957 and for the first two months of the new fiscal year was able to spur a more than 50% increase in Rambler sales to get into the black ink category.

Aircraft-Missiles Favored

Despite their poor market performance, the aircraft-missile shares were still highly regarded by market analysts. Douglas had retreated to where the yield was around 6% for an above-average return. And the omens aren't at all bad for this company.

Last year's earnings of $8.96 well covered the $4 dividend and the final figure for this year is expected to compare favorably so the dividend is far from being in any jeopardy. Douglas' civilian production is expected to account for about a third of gross this year and this is by far the more profitable end of the business. Moreover, the company has a good foothold in the missile business and missile sales for the first half of this year came to $75 million against $140 for all of 1956. The missile business, at least, is growing and will continue for some time apparently.

The food shares have

emerged as a definitely defensive section when market selling is on, and have been among the better-acting items at other times. It follows the ages-old adage that "people have to eat" despite economic conditions. The difference is that this group was definitely neglected up to here. H. J. Heinz, which sold for 60 in 1956, has been holding all this year in a 10-point range of 44-54. The stock offers a yield of around 5% and a price-times-earnings ratio of only 7½ where others in the food line sell around 12-times earnings. The stock's dividend history of unbroken payments is nearing the half-century line although it wasn't available publicly until less than a dozen years ago.

* * *

Rails were being scanned for the first time in a long while, both because they have been severely depressed and because the group on occasion has shown an ability to rebound sharply from what is apparently an oversold position.

Special Situations

Special situations like Missouri Pacific where the possibility is for eventual consolidation with Texas & Pacific Railroad of which it is the dominant stockholder were favored for the increase in net income that would result from the merger. Like others, Missouri Pacific has suffered a dip in profit this year but earnings are still substantial.

* * *

Denver & Rio Grande is one road that has been able to boost net, the first 10 months producing $5.24 a share against $4.44 for the similar period last year. Even with a slowdown in the profit-making in the final two months, the line is still projected to a record high in earnings with the $2.50 dividend well sheltered and a return of around 7% offered at recent prices. Both the high yield and the 15-point decline from its year's high have discounted the possibility of lower earnings next year.

Bright Spots

The leisure time stocks are candidates for maintained or even higher profits for next year. One of them — Brunswick-Balke-Collender—is being projected to earnings of a dollar or better above the final figure for this year when some extraordinary charges were incurred. The appeal here is the sharp increase in sales of automatic pinsetters for bowling alleys. At the start of the year the company had planned on 500 pinsetters a month as a goal but shipments lately have risen to as much as 800 of the devices. More importantly, no sizable dents have been made in the backlog.

* * *

Also something of a trend-bucker is Ruberoid which is expected to show increased sales despite the dip in home building. The company has stressed maintenance and modernization to fill the gap. And home building next year is expected to show improvement with easier money now in effect. The stock has been available at around 6½% yield for an above-average return.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Joins Jerry Thomas Staff

(Special to The Financial Chronicle)

PALM BEACH, Fla.—Nioma B. Wiggins has joined the staff of Jerry Thomas & Co., Inc., 238 Royal Palm Way.

A. M. Kidder & Co. Adds

(Special to The Financial Chronicle)

SARASOTA, Fla. — Dorice T. Sargeant is now with A. M. Kidder & Co., Inc., 16 South Palm Avenue.

H. W. Knepple With Cruttenden, Podesta

Cruttenden, Podesta & Co. announced that Howard W. Knepple has been made manager of their Municipal Bond Department in the New York City office, 37 Wall Street.

Mr. Knepple has been active in the securities field for more than 30 years and was formerly manager of the Municipal Department of Bruns, Nordeman & Co. in New York.

Singer, Deane Appoints

Edwin A. Clark has been appointed manger of the New York office of Singer, Deane & Scribner, 120 Broadway.

With J. B. Hanauer

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Ronald A. Zane has been added to the staff of J. B. Hanauer & Co., 140 South Beverly Drive.

With Cradock Securities

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Donald H. Willson is with Cradock Securities Limited, 215 West Seventh Street.

Form Diran, Norman

Diran, Norman & Co., Inc. is engaging in a securities business from offices at 80 Wall Street, New York City.

Guarded Optimism on British Fight Against Wage-Price Rise

By PAUL EINZIG

Impressed by British Government's genuine determination to carry its deflationary policy to a successful conclusion and to resist demands for higher wages, Dr. Einzig admits this runs counter to his misgiving previously held. Expects private firms to reduce their profit margins to help check wage-price inflation. Failure to hold wages may lead, the writer opines, to further credit squeeze to check consumption.

LONDON, Eng.—At present it would be premature to try to express an opinion about the effectiveness of the British disinflationary policy inaugurated with the increase of the bank rate to 7% on Sept. 19. There are, however, a few indications which justify some degree of guarded optimism. The most hopeful sign is the Government's own attitude towards wage demands in Government departments and in industries controlled by the Government. In addition to the recent rejection of the claims put forward by National Health Service employees, the claims of the employees of the nationalized British Railways and of the British Broadcasting Corporation have been flatly rejected.

Paul Einzig

At the same time the Government has embarked upon a campaign of exhortation to induce industrial firms to lower their prices or at any rate to abstain from raising them. Both the Prime Minister, Mr. Macmillan, and the Chancellor of the Exchequer, Mr. Thorneycroft, have been making speech after speech emphasizing the imperative need for passing on to the consumer the benefits of technological improvements instead of dividing them between employees and shareholders. It remains to be seen whether this campaign will produce the desired effects. But judging by past experience employers are much more likely to be influenced by official exhortations of this kind than employees.

In all probability the first step towards effective disinflation in Britain will be a disinflation of profits. Under the influence of pressure by the Government many firms are likely to cut their profit margins in order to contribute their share towards the effort to check the wage-price inflation. Whether the Trade Unions will be inclined to follow this example seems highly doubtful, judging by past experience. Although they always insist on higher wages whenever there is an increase in profits, they would be most indignant if anyone dared to suggest a lowering of wages following on a decline of profits. The most that can be hoped for would be that they might moderate their wage demands.

Profit disinflation may result in all-round disinflation, not so much through the willingness of Trade Unions to follow the employees' example as through the effect of lower dividends on spending. Already there are indications of a more cautious spirit among the higher-income groups. The luxury hotels of London are not nearly as crowded as they have been in recent years. There is a noticeable decline in the activities of various luxury trades. This is the result of dividend cuts by a limited number of companies.

The actual totals involved in these cuts are not sufficiently large to make an appreciable difference in the volume of spending. They have produced, however, a psychological effect far in excess of their material effect. Whenever a firm reduces its dividend shareholders of many other firms regard it as a warning that this is liable to happen also in respect of their incomes. So the evidence of lower dividends, and even of lower profits, tends to discourage expenditure by many people whose incomes have not as yet been affected.

The direct effect of this new trend on the cost of living is admittedly negligible. It only affects the demand for articles which play a very subordinate part in the cost of living index. On the other hand, the fall in demand of the higher-income groups is likely to produce widespread effect through the operation of the "multiplier." There is spending by employees engaged in luxury trades and by those who in turn depend on the spendings of the employees. There is also likely to be a decline of capital expenditure in luxury trades. It may take a little time before this indirect effect becomes evident. But its operation may become, in due course, an influence of some importance.

It remains to be seen whether these symptoms are in themselves sufficient to discourage industrial firms from conceding wage demands. For the present there is as yet no indication of any decline in the spendings by the lower-income groups. Christmas trade in districts catering to these consumers is brisker than ever. Possibly under the influence of their mass demand employers will feel justified in continuing to grant wage increases, on the assumption that they will have no difficulty in adding the extra cost to the prices of their goods. If this should be so in respect of the large majority of firms, the Government's existing disinflationary measures would be doomed to failure.

In that case the Government will have to reinforce the existing measures of credit squeeze in order to ensure a reduction of demand. Having tackled the problem from the production end without success, it will have to attempt to deal with the situation from the consumption end. This would mean a reinforcement of restrictions on instalment selling, and an increase in Purchase Tax. Possibly it may mean budgeting for a surplus to mop up purchasing power. It may also mean the accentuation of the economy drive in Government departments. This, together with a lowering in the official ceiling fixed for the volume of credit, may produce the desired results.

It is gratifying to note that the Government now displays genuine determination to carry its disinflationary policy to successful conclusion. Such is its unpopularity in the country that it stands to lose very little politically by adopting further unpopular measures. Its ultimate political fate depends on the success of its disinflationary policy, so that it is a question of life or death to ensure success. And in any case, if worse came to the worst, Ministers may feel that they might as well be hanged for a sheep as for a lamb: or, to use a different metaphor, they feel that if they must go down they might as well go down fighting for a good cause.

NSTA Notes

BOND TRADERS CLUB OF CHICAGO

The following have been selected to serve as officers for the Bond Traders Club of Chicago, Inc. for the year 1958. **(Effective March 1, 1958, name will be Security Traders Association of Chicago, Inc.)**

Adolph C. Egner, Jr.

Orville H. Strong

Donald D. Schubert

President: Adolph C. Egner, Shearson, Hammill and Company.

Vice-President: Orville H. Strong, First National Bank of Chicago.

Secretary: Donald D. Schubert, Dempsey-Tegeler and Company.

Treasurer: William J. Gratza, Hornblower and Weeks.

THE SECURITY TRADERS ASSOCIATION OF NEW YORK, INC.

The Security Traders Association of New York, having just completed its 21st Anniversary, has elected the following members to hold office for the year 1958:

John F. McLaughlin

Bernard J. Conlon

Barney Nieman

Salvatore J. Rappa

Wilbur Krisam

President: John F. McLaughlin, McLaughlin, Cryan & Co.

First Vice-President: Bernard J. Conlon, P. F. Fox & Co.

Second Vice-President: Barney Nieman, Carl Marks & Co., Inc.

Secretary: Salvatore J. Rappa, F. S. Moseley & Co.

Treasurer: Wilbur Krisam, John C. Legg & Co.

Directors (Two-year Term): Joseph H. Billings, Cowan & Co.; Walter H. Filkins, Troster, Singer & Co.; John D. Ohlandt, Jr., New York Hanseatic Corp.; Arnold J. Wechsler, Ogden, Wechsler & Co.

Trustees of Gratuity Fund (Two-year Term): G. Harold Noke, Francis I. du Pont & Co.; Joseph D. Krasowich, Gregory & Sons.

National Committeemen: Samuel F. Colwell, W. E. Hutton & Co.; Stanley L. Roggenburg, Roggenburg & Co.

National Committeemen Alternates: Harry L. Arnold, Goldman, Sachs & Co.; Joseph R. Dorsey, Bache & Co.; Walter F. Saunders, Dominion Securities Corp.; Stanley M. Waldron, Merrill Lynch, Pierce, Fenner & Beane; Graham Walker, McManus & Walker.

Nominating Committee: Harry L. Arnold, Goldman, Sachs & Co.; George L. Collins, American Securities Corp.; Joseph C. Eagan, Frank C. Masterson & Co.; Raymond C. Forbes, Shearson, Hammill & Co.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

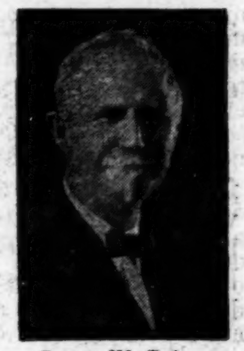
The Investment Traders Association of Philadelphia will hold their Annual Mid-Winter Dinner on Feb. 28, 1958 at the Bellevue-Stratford Hotel at 7 p.m. with a luncheon and reception to be held at 12 noon.

Tight Money And Faith

By ROGER W. BABSON

Popular shibboleths concerning tight money and antidotes to depression are exposed by Mr. Babson who finds a very high correlation between "material and spiritual" growth, and declares true "Faith" is the answer to tight money and other present-day difficulties.

The difficulty today is not "tight money." Money rates are like the temperature recording of a thermometer or the air pressure reading by a barometer. "Tight money" is not a cause, but only an effect of some underlying wrong.



Roger W. Babson

We hear much about the population growth ahead of us. This is an optimistic factor; but many oriental nations now have big populations and are living in poverty. To benefit from a large population, the people must have a sane education and a sane religious faith.

Our democratic government is a basic reason for optimism. The "American Way of Life," with freedom of enterprise and equal opportunities for all, must continue. However, Rome, Greece, and other nations also had democracies. But the people lost interest in exercising their precious right to vote; they discarded their religions; they deteriorated spiritually and collapsed.

Great Funds Spent Upon Research

Many financial experts today consider the large appropriations being spent upon research as insurance against depressions. I believe research spending is now approaching $10,000,000,000 per year. This, however, will not have us. The development of printing, the scientific work of Sir Isaac Newton, the discovery of America, the harnessing of steam by Watt, and the electrical age by Edison gave great periods of prosperity. However, their effectiveness weakened because they were not used for spiritual advancement.

I might add other causes of so-called prosperity, such as the growth of instalment selling, radio and TV advertising, high wages without a corresponding increase in production. All these things may have their usefulness, but they lead to inflation and higher living costs. Inflation is like stimulation by liquor. The habit of depending upon either becomes slowly destructive. We need only look at Europe to realize the curse of slow inflation. To try to remedy "tight money" by issuing more money is suicidal.

Can We Depend Upon Legislation To Prevent Depressions?

History shows clearly that all such legislative attempts have been useless. Several have been suicidal. The fixing of prices, wages, and rents has been tried many times during preceding centuries. All have failed. So will our attempts to fix or subsidize farm price likewise fail. Unemployment insurance and pensions seem to be worthy legislation, but they have not worked. They were tried in Rome, France, England, and even in Germany before World War I.

Such legislation was usually blamed on "tight money," as was

the socialist movement led by William Jennings Bryan in the early 'Nineties. They were backed by selfish groups seeking "featherbedding" without regard for the good of the nation as a whole. Manufacturers fought for tariffs; home builders for 95% loans; while labor unions succeeded in remaining exempt from anti-monopoly legislation. Frankly, these false movements were due to lack of real religion, which caused the "tight money" of those days.

Material vs. Spiritual Growth

History proves that these two must progress together. When a nation is actuated by sane religious growth based upon the Ten Commandments, it enjoys continued material growth. On the other hand, when material growth exceeds spiritual growth, then depression follows with its falling prices, unemployment, and business failures. The real reason why money is "tight" today is because most people have gone haywire *materially* seeking money, entertainment, and more gadgets, including stylish clothes, autos, TV sets, and all the other things their neighbors have.

Church leaders quote statistics on church attendance, but church attendance is largely the "froth" of religion. The best barometers of the true religious state of this nation are Sunday Observance, Family Prayers, Temperance, Devoted Families, Respect for Law, Civic Interest, Honesty, Industry, and the Practice of the Golden Rule. Truly spiritually minded people always have Faith—in God, their country, their fellowmen, and themselves. Such Faith is what America needs today. It will provide the only relief from so-called "Tight Money."

Continued from page 14

Puerto Rican at Home: Operation Bootstrap

the associated Government services such as sewer pipes.

Moreover, although the overall employment figures do not show a very sharp rise, part time unemployment has been reduced markedly. More and more people are putting in a complete workweek, with the accompanying increase in annual take-home pay.

But more important is the momentum generated by these forces. The largest obstacle is to get the plan going — to get it off the ground, so to speak. It is as a catalyst, multiplying the impact of each dollar expended for new plant and investment, that the Government's efforts can be expected to pay off. It is estimated that every dollar so spent generates at least three-to-four additional dollars of income, with the accompanying aid to increased employment.

Thanks to its location Puerto Rico offers the maufacturer many advantages. Situated between the booming South American markets and the United States mainland, the Island could serve as an intermediate fabricator, drawing on the raw materials of each to feed finished products to the other. Already the petroleum industry has moved in, and Venezuelan crude oil is refined for sale in this country. This role would be especially important where the weight of the products involved bears a low transportation cost relative to the selling price, so that carrying charges would not bulk large in total costs.

With further development should come a greater integration of the Island's various industrial components. For example, the petrochemical industry could serve as a feeder of synthetics to local textile, apparel, and plastics industries. Expanding local incomes would make the Puerto Rican market more attractive, so that firms could sell both within the Island and on the Mainland, thus achieving longer and more economical production runs. And, finally, there is always the possibility that atomic power will be employed to supplement the Island's limited sources of electric power.

How far can the Commonwealth go? No one can make a trustworthy guess, but its present Governor, Luis Munoz Marin, has set as his goal a standard of living by 1975 that is the equal of the average Mainlander today. Since 1950 per capita personal incomes in the Island have been rising at a rate faster than that enjoyed by any state in the Union. If this rate can be maintained, it would certainly make that goal attainable.

Moreover, it would not take excessive amounts of capital to achieve the industrial expansion necessary to meet such a challenge. If American industry were to put only one-half of one per cent of its normal expansion expenditures into the Commonwealth, the resulting impact on local living standards would be as beneficially explosive as any witnessed in modern industrial progress. It would indeed speed up the rate of "Puerto Rico on the march."

With Estabrook & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert A. Witbeck has become associated with Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchanges. Mr. Witbeck was previously with Rockland Atlas National Bank of Boston.

Watling, Lerchen to Admit Three Partners

DETROIT, Mich. — Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges, on Jan. 1 will admit Guy L. Ireland, Alfred B. Moran and Paul D. Richmond to partnership. Mr. Ireland and Mr. Richmond were formerly with Merrill Lynch, Pierce, Fenner & Beane.

On Dec. 31 John H. Savage, a general partner in the firm, will become a limited partner, and William G. Lerchen will cease to be a general partner, but will remain a limited partner.

Joins Butler, Wick

(Special to THE FINANCIAL CHRONICLE)

YOUNGSTOWN, Ohio—Joseph A. Scarsella is now affiliated with Butler, Wick & Co., Union National Bank Building, members of the New York and Midwest Stock Exchanges.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — John H. Foster is now with Walston & Co., 901 Southwest Washington Street. He was formerly with Foster & Marshall.

A. G. Curtis Opens

BROOKLYN, N. Y. — Alan G. Curtis is engaging in a securities business from offices at 1414 East 12th Street.

Effect of Recent Events on Realty and Mortgage Markets

By HUGO STEINER
President, Hugo Steiner, Inc., New York City

Through doubtful Federal Reserve will return to the easy money policy first abandoned ten years ago this month, mortgage banker expects recent events may spell easier credit conditions to support a "guns" and not a "butter" economy. Mr. Steiner explains, however, why easier credit shift should not be construed as an endorsement of renewed widespread activity in the realty and mortgage markets at this time.

The 24th day of December 1957 will be the Tenth Anniversary of the date when the Federal Reserve Board took its initial step in abandoning its easy money policy. It was on that day in 1947 that the Board announced a 2-point reduction in the pegged buying price of the 2½s of 1972-1967.

Hugo Steiner

Induced by political considerations (influenced by the Keynesian theory) and the necessity of financing the heavy burden of World War II, successive waves of refinancing had caused a long bull market in fixed obligations. Long-term U. S. Bonds, which in 1933 carried a 4¼% coupon, sold at a substantial discount; in 1947, the 2½s of 1972-67, a war-born issue, were pegged at 103. Prior to this the issue had traded at better than an 11 point premium or on a yield basis of approximately 2.12%. A comparable pattern manifested itself in the corporate market and mortgage field. The Union Pacific Railroad, for example, was able to float a debenture issue with a 2½% coupon — virtually unheard of in railroad financing. While the pegged price of the U. S. 2½s was lowered on Dec. 24, 147 to 101, it was not until March 1951 that they cracked the par (100) level.

In this interval, residential owners were widely wooed by generous offers from lending institutions to refinance their outstanding 5, 5½ and 6% mortgages; mortgagees even absorbed the cost of such refinancing. Keen competition for Federally underwritten mortgages produced liberal premiums of four to 5½ points for large scale housing under Section 608; in instances where originators retained a servicing fee of ⅛% or ¼% somewhat lower prices prevailed. Generous premiums were also paid for residential housing loans, under other Sections of the National Housing Act. Gradual liberalization of lending laws governing savings banks in the Eastern States permitted these institutions to range nationwide in their quest for FHA insured and VA guaranteed mortgages. The pressure of funds seeking investment at one time was so strong that VA guaranteed mortgages were absorbed with closing costs included in the mortgage. This period coincided with the peak of the easy money market in the housing segment of the economy.

Mortgages First Casualty

Conversely, the first casualty of hard money rates was the mortgage market. The extraordinary demand for capital to finance the business boom of 1955-56 and early 1957 was not only absorbing the normal savings of the country but also straining all lending facilities. Of itself this brought about high interest rates.

The surprise action of the Federal Reserve, in reducing the rediscount rate, had an immediate electrifying effect on the bond market. The day following the announcement, the Government Bond market scored the largest price advance ever recorded in a single trading session. Additional gains have been posted indicating the powerful reversal of trend. Further easing of the market has been hinted by high official sources. This may come about as a result of further purchases of Treasury bills or even possibly another reduction in the rediscount rate in the months ahead.

No Compete Return

This observer, however, does not believe that we will return to the easy money period witnessed in the 1933-1947 era or as recently as 1953-54. It must be remembered that the Federal Reserve Banks, in the various districts, have the privilege of choosing the discountable assets that the Member Banks present for borrowing at the "Fed" window. This is the point where the flow of funds is really turned on and off.

The need to prepare for a greater defense effort to counteract the dramatic Russian successes of recent weeks and to increase our striking power in the air and via the submarine route, coupled with the general decline in business now underway, suggest a continuation of further favorable action toward easier credit conditions by the monetary authorities. It would not be surprising to see the national debt ceiling lifted to the $300 billion mark when Congress reconvenes. A "guns" instead of "butter" economy will have a vastly different impact upon our general economy. In this writer's opinion a less stringent money policy should not be viewed as a blanket endorsement of renewed widespread activity in the realty and mortgage markets at this time. Given a continuation of cold war activity, we will not return to the generally easy credit era of recent memory. Rather we can expect an adequate supply of money, at somewhat lower interest levels, to facilitate the "guns" instead of "butter" era directly before us.

Schneider, Bernet Hickman In New Location

DALLAS, Tex. — Schneider, Bernet & Hickman, Inc., members of the New York Stock Exchange, announce the removal of their offices to new and enlarged quarters in the Dallas Federal Savings Building, 1505 Elm. The firm is celebrating its twenty-fifth anniversary this year.

Form Palmbrook Inv.

MT. VERNON, N. Y.—John A. Severino and Manlio S. Severino have formed Palmbrook Investing Company with offices at 22 West First Street to engage in a securities business.

Charles S. McCain

Charles Simonton McCain passed away Dec. 13 at the age of 73 following a long illness. Mr. McCain was President of Dillon, Read & Co. Inc., from 1939 to 1951 and retired as a director of that firm in 1956. He was also a former President and former Chairman of the board of the Chase National Bank (now Chase Manhattan Bank).

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

R. Penfield Brown and Donald D. Miner have been elected Vice-Presidents of **Chemical Corn Exchange Bank, New York**, it was announced on Dec. 17 by Harold H. Helm, Chairman. Both are with the bank's investment division at 30 Broad Street. Mr. Brown, joined Chemical in 1946 and became Assistant Vice-President in 1953. Mr. Miner joined Chemical in 1935 and became Assistant Vice-President in 1955.

R. Penfield Brown

Donald D. Miner

* * *

Frederick Sikes, Jr. a former Assistant Vice-President of the **First National City Bank of New York**, which he had served in Russia and Belgium, died Dec. 5 at the age of 64. He retired in 1940.

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Edward A. Klug, an investment officer in the **Chase Manhattan Bank's** trust department died Dec. 4 at the age of 51.

* * *

The appointment of Dirck H. Post as an Assistant Treasurer of **Manufacturers Trust Company, New York** was announced by Horace C. Flanigan, Chairman of the Board on Dec. 17.

Mr. Post joined Manufacturers Trust Company's central credit department training program in 1954.

At present he is with the Domestic Department at the bank's main office, 55 Broad Street, and is assigned to the division which serves its business in the Mid-West.

* * *

Richard M. Rogers, Trust Officer of **J. P. Morgan & Co., Inc., New York**, died Dec. 4. His age was 60.

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Thomas J. Deegan, Jr., Vice-President and a director of the Alleghany Corp., was elected a director of the **Industrial Bank of Commerce, New York.**

* * *

Commercial State Bank and Trust Company of New York was given approval by the New York State Banking Department to increase its capital stock from $2,188,300, consisting of 87,532 shares of the par value of $25 each, to $2,232,075, consisting of 89,283 shares of the same par value.

* * *

The Grace National Bank of New York announced on Dec. 17 the promotion of Albert E. Perigone, Henry E. Bergmann, and David T. Sanger, to the office of Assistant Vice-President. All three were previously Assistant Cashiers.

Mr. Perigone has been with the bank for 29 years and has worked in all departments. He became Assistant Cashier in 1954.

During his 20 years' service, Mr. Bergmann became an Assistant Manager of the Foreign Department in 1951 and an Assistant Cashier in 1954.

Mr. Sanger has 23 years of experience in various departments of the bank and in recent years has specialized in the Loan Department.

* * *

Fortune Pope was elected a director of **Sterling National Bank & Trust Company, New York**, it was announced on Dec. 12 by Samuel H. Golding, Chairman of the Board.

* * *

Charles Simonton McCain former President and Board Chairman of the **Chase National Bank of N. Y.** (now **Chase Manhattan Bank**) died Dec. 13 at the age of 73. Mr. McCain started in the banking business by organizing a small bank in McGehee, Ark., and later became Cashier of the **Bank of Prescott, Ark.** He was also an organizer and President of the **Bankers Trust Company of Little Rock.** Mr. McCain came to New York as Vice-President of the **National Park Bank, N. Y.**, and upon its merger with Chase National he was elected President.

* * *

At a meeting of the board of trustees of **The Bank of New York**, Albert C. Simmonds, Jr., President since 1948, was elected Chairman of the Board and continues as Chief Executive Officer. Donald M. Elliman was elected to succeed him as President.

Mr. Simmonds succeeded Mr. John C. Traphagen, who became President of The Bank of New York in 1931, and has been Chairman since 1948. Mr. John I. Downey, who served as President of the **Fifth Avenue Bank** from 1941 until its merger with The Bank of New York, retired as Vice-Chairman of the Board. Both Mr. Traphagen and Mr. Downey will continue as Trustees of the bank and members of its standing committee.

Mr. Elliman, who will be the 27th President of New York's first bank, founded in 1784, was also elected to the Board of Trustees.

Mr. Elliman joined the staff of the **Corn Exchange Bank** in 1933, where he rose to the position of Vice-President and Senior Officer in charge of the Commercial and Bank Relations Department.

Mr. Elliman joined The Bank of New York in 1956 as Vice-President in its Fifth Avenue Bank Office. He was appointed executive Vice-President in 1957, in charge of the bank's midtown offices.

Mr. Joseph A. Hannan, Jr., Vice-President, succeeds Mr. Elliman in those duties and will head the Fifth Avenue Bank Office.

* * *

Directors of **Trade Bank and Trust Company, New York City**, declared the usual quarterly dividend of 20c per share, plus an extra dividend of 2% in stock. Henry L. Schenk, President, said both the regular and extra dividends will be payable Feb. 17, to shareholders of record on Feb. 1.

The cash dividend will be paid only on the persent outstanding shares. The stock dividend will increase the number of shares outstanding from 280,500 to 286,110.

* * *

Edward George Stocker, 70, a former Assistant Vice-President of the **Marine Midland Trust Co. of N. Y., died Dec. 13.** He retired in 1954.

* * *

Election of four Vice-Presidents of **J. P. Morgan & Co. Incorporated, New York** was announced Dec. 19 by Henry C. Alexander, Chairman. They are Samuel R. Callaway, Harrison V. Smith and Peter H. Vermilye, all in the Bank's investments department; and Alfred H. von Klemperer, of the foreign department.

Daniel P. Davison was elected Secretary, succeeding in that office J. Delafield DuBois, who will continue as a Vice-President with enlarged responsibilities in the general banking field. Also announced were the appointments of Robert H. Gaunt, Jr., as corporate trust officer and LeRoy A. Martella as an Assistant Treasurer in the loan department.

Mr. Callaway has been with the Morgan Bank since 1936. He has been a member of the investments department since 1942. He was named an investment officer in 1949 and an Assistant Vice-President in 1953.

Mr. Smith joined Morgan's in 1946. He became an investment officer in 1951 and an Assistant Vice-President in 1954.

Mr. Vermilye was employed by J. P. Morgan & Co. in 1941 in the investments department, since 1950, he was appointed an investment officer in 1951 and an Assistant Vice-President in 1954.

Mr. von Klemperer started work in the foreign department of the Morgan bank in 1951 and was appointed an Assistant Vice-President in 1953. His principal field of specialization has been South America.

Mr. Davison was appointed an Assistant Secretary of J. P. Morgan & Co. in January 1956.

* * *

Richard B. Loomis, was elected President of **South Brooklyn Savings Bank, Brooklyn, N. Y.** effective Jan. 1. Mr. Loomis has been a Trustee of the Bank since 1952. He will succeed Rodney C. Ward, who will retire as President on Jan. 1, but who will continue as a member of the Board.

* * *

Fred E. Goldmann, First Vice-President of **The County Trust Company, White Plains, N. Y.** announced on Dec. 18 that he will retire on Dec. 31, of this year. He will continue his affiliation with the bank as a member of the Mount Vernon advisory board.

Mr. Goldmann has been associated with banking in Mount Vernon since 1933 when he served **The Mount Vernon Trust Company** as special representative of the Board of Directors and Vice-President. He became President in 1942 and 10 years later, when The Mount Vernon Trust Company and County Trust merged, he was named to his present position. Last year, Mr. Goldmann was given the additional title of regional Vice-President, in charge of the four County Trust offices in the Mount Vernon area. He will be succeeded in this capacity by Andrew A. Rindlaub.

Mr. Rindlaub, who has been with The County Trust Company since 1928, has been an officer of the Bank since 1942 and was elected Vice-President in 1947. He has been with the 2 Gramatan Avenue, Mount Vernon office for five years.

* * *

The merger between the **Rockland National Bank, Suffern, N. Y.**, and the **National Bank of Haverstraw and Trust Company, Nyack, N. Y.** has been completed. Total resources of the Bank are $38,000,000. George A. Frimpter, Chairman of the National Bank of Haverstraw & Trust Co., and M. Ambrose McCabe, President have been elected directors.

* * *

William F. Mondadri, formerly a Cashier, was elected a Vice-President of the **Tappan Zee National Bank, Nyack, N. Y.**

* * *

Scarsdale National Bank and Trust Company, Scarsdale, N. Y., elected E. W. Stearns, formerly Vice-President and Cashier, an Executive Vice-President. John J. Link, Jr., formerly Assistant Vice-President, was appointed a Vice-President.

* * *

Manufacturers and Traders Trust Co., Buffalo, N. Y., elected Fred

A. Manske, President of the National Gypsum Co., a director.

* * *

Plan of merger together with certificate of compliance of the respective corporations providing for the merger of **The First National Bank of Silver Creek** into **Manufacturers and Traders Trust Company, Buffalo, N. Y.**, under the title Manufacturers and Traders Trust Company was filed with the New York State Banking Department.

* * *

Approval was given to increase the capital stock of the **Manufacturers and Traders Trust Company, Buffalo, N. Y.** from $9,429,490 consisting of 1,885,898 shares of the par value of $5.00 each, to $9,481,990 consisting of 1,896,398 shares of the same par value.

* * *

At a meeting in January, the stockholders will be asked to approve a proposed merger of the **Madison County Trust Company, Oneida, N. Y.**, into the **Lincoln National Bank and Trust Company, Syracuse, N. Y.** Holders of the Madison County Trust Company would receive $55 a share under the terms of the agreement. A total of 16,000 is outstanding.

* * *

The **New Canaan Bank, New Canaan, Conn.** and officials of the **Stamford Trust Co., Stamford, Conn.** announced that the **First National Bank and Trust Co.** plans in March to join with three other banks that are merging Jan. 1 to form the **Fairfield County Trust Company.** The new trust company will have total resources of more than $125,000,000, and total deposits will exceed $114,000,000.

* * *

Stockholders of **Montclair Trust Co., Montclair, N. J.**, and the **First National Bank of Montclair, Montclair, N. J.**, approved plans for a merger. If approval is given by the Controller of the Currency, it will become effective Dec. 2.

* * *

The National State Bank of Newark, N. J. Dec. 12 announced that it would pay a 19,000 share stock dividend on Jan. 24 to holders of record Jan. 14 subject to the approval of its shareholders and the Comptroller of the Currency. The dividend will be at the rate of one new share for each 23 held.

The stock dividend will result in increasing the bank's capitalization to 456,000 shares from 437,000 and raise the capital of the bank to $5,700,000 from $5,462,500. Shareholders will vote at the Annual Meeting on Jan. 14.

The bank states that after payment of the stock dividend it anticipates continuation of a regular annual dividend of $2.20 a share on the larger capitalization.

A regular quarterly dividend of 55 cents plus 10 cents extra on the present shares was also voted for payment Jan. 2 to stockholders of record Dec. 20.

* * *

The Boardwalk National Bank of Atlantic City, N. J., with common stock of $1,800,000; and **The Ventnor City National Bank, Ventnor City, N. J.**, with common stock of $200,000, merged effective as of Dec. 3. The consolidation was effected under the charter and title of The Boardwalk National Bank of Atlantic City.

At the effective date of consolidation the consolidated bank will have capital stock of $2,000,000, divided into 20,000 shares of common stock of the par value of $100 each; surplus of $2,900,000; and undivided profits of not less than $795,673.

* * *

The New Jersey Supreme Court on Dec. 9 ruled that the state could take over unclaimed stock and dividends of the **Clinton Trust Company, Newark, N. J.** The court held the state could require the **Fidelity Union Trust Company of Newark** to pay it the value of stock and dividends which had been unclaimed 14 years. Fidelity Union purchased the assets and obligations of the Clinton Trust Company. The case was remanded to the Chancery Division of Superior Court for a precise determination of what unclaimed stock and dividends the state could take over. The state's suit was for slightly more than $50,000 of property.

* * *

Provident Tradesmen's Bank and Trust Company, Philadelphia, Pa. announces the promotion of August F. Seemet from Assistant Treasurer to Assistant Vice-President. Mr. Seemet will be in charge of Provident Tradesmen's 6th and Spring Garden Streets office.

The bank also announces that Erwin Weber, Assistant Vice-President, will be in charge of its Foreign Department, succeeding A. F. Hauck, Vice-President, who retired Dec. 1.

* * *

Jonathan S. Raymond, Senior Vice-President of **Mellon National Bank and Trust Company, Pittsburgh, Pa.**, has been elected to the Board of Directors of the bank, according to an announcement by Richard K. Mellon, Chairman of the Board. The election took place at the board's regular monthly meeting on Dec. 9.

Mr. Raymond started his banking career in 1924 with the **First National Bank of Boston** and subsequently became Manager of the bank's credit department. In 1928, he was appointed Manager of the Foreign Department of Lee Higginson & Company in Boston and later became Manager of the firm's Banking Department. In 1937, he joined Mellon National Bank as Vice-President. When the bank merged with **Union Trust Company**, Mr. Raymond became Vice-President in charge of the Banking Department. He was appointed Senior Vice-President of Mellon Bank in 1953.

* * *

Girard Trust Corn Exchange Bank, Philadelphia, Pa., opened its 26th office on Dec. 9. The new branch is located on 63rd Street near Girard Avenue.

Hans A. Jungels, Assistant Treasurer of the bank, will manage the new office, with John W. Fox, as Assistant Manager.

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Charles E. Kinsey was elected a Vice-President, Raymond F. Ehrhart and Gerald T. Burger Assistant Vice-Presidents of the **Union Trust Company of Maryland, Baltimore.**

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The appointment of Russell H. Metzner as Investment Officer of **Central National Bank of Cleveland, Ohio**, has been announced by J. M. Killpack, Executive Vice-President. Metzner, who is a Vice-President, will continue to serve as the bank's Economist, a position he has held since 1951.

As Investment Officer of the bank, Metzner will assume the management of the bank's investment portfolio, formerly administered by C. M. Colyer whose retirement has been announced.

He joined Central National in

Continued on page 108

Current Economic Situation and Prospective Fiscal Policies

By ROBERT H. CRAFT*
Retiring President, Investment Bankers Association of America
President, Chase International Investment Corporation

Imposition of additional taxes rather than fiscal deficits is recommended by retiring IBA President in pointing out that though we can afford any necessary defense costs we cannot afford to finance such costs through sizable deficit financing. Mr. Craft holds the latter would undermine our domestic economy and achieve Kruschev's objective of peacefully destroying private capitalism. Defends Federal Reserve policies, expresses awareness of credit policy's limitations, warns of inflation's return if we succumb to unwise political pressures, and presents list of encouraging factors providing strength in the economy. The banker opines the current adjustment can be held within reasonable bounds and that the long-term growth picture is "as bright as it has ever been."

Nineteen hundred fifty-seven has been a year of transition—a transition from a boom economy to a period of readjustment.

Robert H. Craft

A year ago the domestic economy was operating almost at full tilt. This was manifest in the levels of employment, disposable personal income, gross national product and the general standard of living we were then experiencing. In December of last year the Federal Reserve Board index rose to its high of 147. But even in the lush economy of a year ago, there were some storm signals being hoisted. It was obvious at that time that the capital spending boom was beginning to produce excess capacity. Profit margins of business had been undergoing a squeeze, wage increases were outrunning productivity. We had known that private debt had been rising for some time and that too large a proportion of personal income was being spent rather than being channeled into savings. Because of the heavy and persistent demands for loans on the banking system, a condition was developing in which some limitation on further expansion of the bank credit appeared inevitable.

*An address by Mr. Craft before stepping down as President of the IBA at the Association's 46th Annual Convention, Hollywood Beach, Fla., Dec. 2, 1957.

Illusion and Reality

As the year wore on these sources of potential difficulty became more obvious, although they were somewhat camouflaged by the continuous and accelerated rise in prices. The price rise in fact created the illusion that the economy was still moving forward; whereas in fact the physical volume of production was showing little change. The increase in the gross national product reflected almost solely a rise in prices. In brief, the economy was being supported increasingly by forces acting to sap part of its underlying strength and the boom was beginning to live on borrowed time. Last month the Federal Reserve Board index declined to 142, but a principal change in the business situation became more apparent early in the year in a reduced level of inventory spending by business. During most of 1956 business had been adding to its inventories at the annual rate of about $5 billion. In the first quarter of 1957 inventories were liquidated to a small extent and while some accumulation took place in subsequent months it was not great. The persistent weakness in prices of nonferrous metals, the more recent drop in carloadings, and the reduction in the operating rate in the steel industry to 78% of capacity indicate that business has again moved toward liquidating inventories, and probably at a somewhat accelerated pace. While retail sales remain high they also have leveled out, and currently neither government nor business expenditures are providing the impetus for a further advance in the economy generally.

Now the question arises as to how far the slide which has begun will carry and how long it will last. The answer to these questions depends in part upon the manner in which management and labor face up to their respective responsibilities, but the answer also depends heavily upon the manner in which we conduct our national affairs, particularly on the monetary and fiscal front.

In gauging the outlook for the private sector two factors should be borne in mind. These are first, that business has been going through an almost uninterrupted advance since the end of World War II, and second, for the first time in a long while there is overcapacity in industry coming at a time when consumer pipelines have been pretty well filled by the heavy consumer buying of the last three years. In addition, the rest of the world for various reasons, principally because of a shortage of dollars, is not clamoring for our goods to the same degree as has been the case for the past few years.

Calls for Cool Appraisal

The events of the last several months have unfolded with such rapidity that it is difficult to appraise their short run economic effects. There is no question that business psychology has undergone a sharp change, and probably it has been heavily influenced by the action of the stock market. The launching of the Russian Satellites created a temporary state of jitters in the markets as was apparent from the fact that each piece of minor news seemed to produce disproportionately wide swings in prices. If this truly reflects the state of mind of the financial and business community it is not a healthy situation. I would like to suggest that this is no time for panic, nor is it a time for burying our heads in the sand. Rather this is a time for a cool appraisal of our present position. A time to stand off and take a good hard look at such deficiencies as may exist and to set out in an orderly manner to correct them.

Certainly Sputnik has had the effect of shaking us out of our complacency. But to jump to the snap conclusion that we are irretrievably behind in the field of missiles would be a serious error. Unquestionably the Russians have won a race but the track meet is not yet over. The Russians have scored first, but we have come from behind before and there is no reason to believe that we will not do so again. In fact, throughout history this has been the experience of democracies. We found ourselves in the same situation at the outbreak of both World

Wars, but in looking at our present position we should have in mind that the mere spending of money does not necessarily guarantee the results we are seeking. This country can afford any cost of defense that may be required to preserve our security, but we cannot afford to finance that cost through sizable Federal budgetary deficits and in the process undermine the domestic economy. The Soviet objective could be just as effectively achieved economically as it could militarily. Kruschev, as a matter of fact, is on record that his objective is not military conquest but rather destruction of the capitalistic and free enterprise system. Collective security is essential to our survival, but collective security cannot be sustained without a sound domestic economy.

The Administration is conscious of the inherent dangers of unbalanced budgets and deficit financing. In his Oklahoma City speech the President made this quite clear when he indicated that whatever additional expenditures may be called for to catch up and surpass the Russians in the missile field must come in large measure from cutbacks in other phases of the military program and in nonessential domestic spending. He pointed out that some domestic programs while desirable are not absolutely essential, and these the President said must be deferred to a time when the budget will stand them, and to a time when other demands are not as crucial to our survival. The President said further that this will be one of the hardest and most distasteful tasks that the coming sessions of Congress must face and pressure groups will wail in anguish. I need not tell this gathering that the base of the 1939-1957 inflation which cut the purchasing power of the dollar in half was established by additions to the money supply through the deficits of World War II and in the post war years. Once rationing was abandoned and price controls were removed activation of that money supply was the cause of the subsequent postwar inflation. As I have indicated in my recent talks, during a period of full employment additions to the money supply do not create additional goods. Creation of additional money in an economy operating at capacity simply intensifies the demand for goods and the more money that is created the greater the rise in prices.

During a period of as high economic activity as that which we have experienced during the past several years substantial Federal budget surpluses should have been provided for debt reduction and for much needed tax reform and tax relief. With the negligible progress that has been made in reducing the debt, however, we cannot afford to run the risk of unbalanced budgets. Adoption of this expedient during a period of high national income simply would lay the basis for rekindling the smoldering fires of inflation.

Favors Heavier Taxes

The Administration needs the active support of all of us in its efforts to provide the funds for missile purposes and for whatever else is required for defense through the elimination of unessential expenditures in all other programs. In passing, I might add that the holding of Federal expenditures within reasonable bounds is not going to be an easy accomplishment during an election year. Nevertheless, I sincerely believe that the majority of the people still are heavily in favor of economy in government, as was made clear to the Congress during the Easter recess this year. Of course, the difficulty now lies in again persuading the Congress of this fact. In the crucial times ahead we must redouble our efforts if we are to achieve the sound objective of avoiding unbalanced budgets. As a matter of fact, harsh as it may sound, it seems to me that with an economy operating at even the level probable for next year, whatever additional funds the government needs because of increased defense should come not from deficits but, if necessary, through the imposition of additional taxes. We have a choice here of paying as we go or paying more heavily later through depreciation of the currency, and if this is the alternative the choice should be clear to all of us.

Now it may sound incongruous to talk about the dangers of a revival of inflationary pressures during a period when the domestic economy is experiencing some reduction in activity—when as a matter of fact deflationary forces and not inflationary forces are in the ascendency for the moment. These deflationary forces, however, could be very short lived if political pressures result in disproportionate expenditures for defense without compensating cuts in other phases of the military and domestic programs.

In the circumstances that prevailed up until a month or so ago it seems to me that the Federal Reserve System had no practical alternative but to pursue the restrictive credit policies to which they had adhered during the past two years. The solution to our recent economic and financial problems was not to be found in the encouragement of more borrowing and the spending of newly created money by the consumer, industry, or by Federal, state and local governments. The solution lay rather in restraint of credit, and in the channeling of a higher proportion of our personal income into savings and investment.

Defends Federal Reserve

Of course, all during the period in which the Federal Reserve System pursued the so-called tight money policy, it is interesting to note that reserves in the banking system did not actually contract. As a matter of fact reserves in the banking system this year remained at about the same level as they were in 1956. What the system endeavored to do was to provide enough money to finance sound expansion, without creating an excessive amount of credit that would have encouraged speculative or inflationary expansion. Moreover, it is significant that the restrictive monetary policy did not prevent the floatation of a record breaking total of new corporate issues, and close to a record of state and municipal financings.

In defending the policies of the Federal Reserve System I am quite aware of the limitations of credit policy. Credit policy cannot directly offset wage increases that outstrip gains in productivity, but when inflationary pressures from other sources are as heavy as they have been during the past year, a proper credit policy can and has prevented a much sharper rise in prices than the one we actually experienced. Similarly, too much should not be expected from a reversal of credit policy. Easy money will not necessarily stem an economic decline. Easy money provides no guarantee that money will be borrowed by business, unless business can put that money to productive use and unless business sees a reasonable chance for

Continued on page 29

Financing Problems of Small Business

By EDWARD N. GADSBY*

Chairman, Securities and Exchange Commission

SEC head blames small businessman's and investment banker's unfamiliarity with what laws and regulations require for small business' public financing troubles. Chairman Gadsby denies h's agency places undue restraints, and calls for investment bankers' participat'on in an educational campaign to overcome small businessman's reluctance to "get mixed up" with SEC.

Surely it is unnecessary for me to explain to such a group as this the breadth and depth of our mutual interest in the financial health of this country. You, because of enlightened self-interest and strong feelings of good citizenship, and we, because of official responsibility, all realize the importance of a strong system of private finance. And we know that such strength depends on public confidence, and public confidence depends on fundamental fairness and honesty. With so much common concern, it is imperative that we keep in close touch with each other.

Edward N. Gadsby

Of the many problems that concern us all, one of long standing has recently come back into prominence, and I have a suggestion for joint action to urge upon you. I refer to the financing problems of small business.

SEC Criticized

In late September there was held in Washington a meeting called "The President's Conference on Technical and Distribution Research for the Benefit of Small Business." Out of this conference came a resolution that the Small Business Administration appoint an appropriate panel of private citizens to study whether "The Securities and Exchange Commission is placing excessive restraint on long-term financing by small business and is exceeding the intent of Congress." This resolution implied a serious criticism of the Commission. As I hope you all know, it has never been the Commission's intention to impose any more restraint upon financing by small or large business than is required by the statutes which it is our responsibility to administer. And we would be surprised and disappointed if informed and reasonable persons should conclude that we were imposing **excessive** restraints or that we were not doing our job so as to carry out the intent of the Congress.

In response to this resolution, Mr. Wendell Barnes, the Small Business Administrator, called a meeting in Washington on Nov. 25, which was attended by Commissioner Patterson and myself, certain members of our staff, and about 15 investment bankers, lawyers, and executives in private industry. Among them was Mr. Yost Fulton, Chairman of your Small Business Committee. Various suggestions arose from this meeting, but I am pleased to say that no one present seemed to believe that our Commission was in fact imposing excessive restraints on small business financing. It was rather the consensus of the group that the plight of small business arises from problems of economics and communication.

Core of Problem

At the meeting, I suggested that at least a large part of small business's trouble in public financing comes not from what our laws and regulations in fact require, but from lack of familiarity of the small businessman and even perhaps the investment bankers with the requirements, and what might be deemed the foreboding appearance of our regulations. These factors do create a reluctance on the businessman's part to "get mixed up" with the SEC. I suggested further that to the extent that lack of familiarity and knowledge was the difficulty, much could be done by embarking on a joint educational program to inform small businessmen and their legal and financial counsellors of our laws and regulations and procedures. Specifically, I suggest that we might organize conferences on a local basis of small businessmen, lawyers, and investment bankers dealing at this level, at which members of the Commission's staff, and any other persons whose advise might be helpful, could explain in detail what our laws and regulations require and how one goes about meeting these requirements in a practical way. We could also answer questions as to our practices and policies under the laws and regulations. We at the SEC cannot remove the real obstacles to financing small business, but with a vigorous educational program we should be able to lift the dark curtain of misunderstanding that presents unreal obstacles erected by the imagination.

Requests Aid of IBA

Such a program, however, requires your enthusiastic cooperation for real success. It is my hope that your association, through the appropriate national and regional committees, will take the initiative in organizing such conferences. If you will do your part in this organizational work, the SEC will readily and fully cooperate. I am glad to say that those members of your association who happened to be present at the Washington meeting seemed to agree that such meetings or conferences could be very beneficial, and I hope that we can look forward to action in this direction during the coming winter.

Nothing would give me and my fellow Commissioners more pleasure than to work out such an educational program with your association. I think it is the sort of endeavor that would go far toward demonstrating the possibility and benefits of intelligent cooperation between the responsible elements of private industry and governmental agencies.

*An address by Mr. Gadsby before the 46th Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Dec. 2, 1957.

Murphey & Marseilles Admit

On Jan. 1 Welles Murphey, Jr., member of the New York Stock Exchange, will become a partner in Murphey & Marseilles, 65 Broadway, New York City, members of the New York Stock Exchange.

With Scherck, Richter

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Edward C. Maue is now with Scherck, Richter Company, 320 North Fourth Street, members of the Midwest Stock Exchange. He was previously with Fusz-Schmelzle & Co.

Davis & Davis Branch

FALL RIVER, Mass.—Davis & Davis has opened a branch office at 10 Purchase Street under the management of Bernard A. G. Taradash.

Aluminum's New Era

By RICHARD S. REYNOLDS, JR.*
President, Reynolds Metals Company

Reynolds Metals head depicts aluminum industry as being at the threshold of a "revolutionary break-through" from a job order business to a mass production industry. Mr. Reynolds refers to prospects for rolled sheet for such items as aluminum cans, ships, railroad cars, tanks and other large structures; describes automatic pipe-welding machine which permits accelerated pipe production for oil, gas, and irrigation; pictures export possibilities; and expresses the opinion that the present over-supply is merely temporary.

The aluminum industry, in its brief history, has made frequent and substantial calls upon services of the investment banking industry. In the past 10 years alone, it has come to the financial community for—and received—over $2½ billion. The vitality and growth potential of this industry strongly indicates that its demands for your services will be even greater in the years ahead.

R. S. Reynolds, Jr.

In my opinion aluminum is on the threshold of a new era—a revolutionary break-through. For the first time in the history of non-ferrous metals, aluminum, I believe, will develop from a job-order business to a mass production industry.

The impact of this changeover, with its economies and efficiencies, will, in turn, affect the structure of the aluminum industry as we know it today. It will make obsolete our present patterns of thought concerning it.

This country, since the turn of the century, has seen the miracle of mass production occur again and again in its basic industries—in automobiles, steel, paper, and so forth.

We are no longer astonished. We have come to accept the abundance of our goods and services as an American birthright. It sould not be a surprise to anyone that the aluminum industry, in turn, is on its way to industrial maturity.

There are some who will doubt my assumption. Among them are those who know, as we all do, that today aluminum is in oversupply. They will point to recent stretch-outs of expansion plans.

I can assure you that the present valley in our business aotivity is neither new or unusual. We are used to imbalance between supply and demand.

Past Prophecies

We have marched up the hill in war, and gone down the hill in peace—accompanied by the direst predictions as to our future.

In September, 1945, at the close of World War II, the Surplus Property Board reported to Congress that, with 45% of the nation's low-cost capacity idle and I quote—"We expect markets for primary metal to require five years before the present private capacity would be necessary. Therefore, the government plants would not be needed for at least that period."

The World War II government plants, comprising 50% of U. S. capacity, were put to use within a year. In three years the industry was again increasing its primary capacity.

Despite prophecies such as this, we have gone up the hill again in peacetime, and have discovered that our true role in this nation's economy goes far beyond military needs.

Production has jumped from 160,000 tons of aluminum 20 years ago to 700,000 tons in 1950; and more than double again to about 1,600,000 tons in 1957.

This spectacular growth has, moreover, been accompanied by steadily increasing profits and sales.

To speak of over-supply, or over-production, in an industry that is growing like ours is a contradiction in terms. What our critics consider a liability is, to me, a unique asset.

This supply compels the industry to sell aluminum, rather than deliver it—as is the case in time of shortage. This pressure to sell, in turn, accelerates the industry's progress toward future markets.

Of course, with all primary producers facing similar operating and market conditions, the production time-table is being adjusted to actual current consumption. But this temporary lull should not distort the basic view.

The future is a matter of perspective. There are those who stand in the present valley of over-supply and see nothing but gloom around them. I suggest we look up at the foothills and then, look higher to the mountain peaks beyond.

My own company's long-range planning department has surveyed these foothills in a recently-completed study which looks ahead to 1975.

They based the study upon the most conservative and realistic estimates; concerning themselves only with the known uses of aluminum and uses already in the development stage. We asked them to lay aside the crystal ball; giving us only a consensus of known facts and the best opinions available. We were seeking, not predictions, but guidelines for the years ahead.

This meeting of the Investment Bankers Association is an appropriate forum to present, for the first time, many of the conclusions reached in these studies. I know of no audience better able to realize the limitations of our study; and at the same time appreciate its value.

We have attempted to model our procedures upon the methods you yourselves use in major investment decisions. We assemble the facts, add our knowledge and experience and, with care and caution—decide.

Study Conclusions

Our study assumed the economic conditions commonly accepted by industry and government; a stable and growing economy; the absence of war; a rising population; and a steady increase in production and consumption.

Then working through our sales division, we determined for each major market how far aluminum could be expected to penetrate in the periods covered. These estimates combined the analysis of our own market specialists with the opinions of experts in the consuming industries.

In architecture and construction for example, the estimates were concerned with roofing, siding, windows, doors, screens, awning, store fronts, trim, curtain walls and many other uses.

These estimates were then translated, on a tonnage basis, into the products we make—such

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*An address by Mr. Reynolds before the Investment Bankers Association, Hollywood Beach, Fla., Dec. 4, 1957.

The Return of Power to State Governments

By JOHN H. STAMBAUGH*

Special Consultant to the President
And Vice-Chancellor, Vanderbilt University

University official and Pres. Eisenhower's special consultant reviews unprecedented action undertaken by pioneering Joint Federal State Action Committee to transfer certain Federal functions and taxes to State Governments. The admittedly limited efforts confined, so far, to vocational education, civil defense, urban renewal and atomic energy, and to releasing estate-gift and certain excise taxes, are optimistically viewed by Mr. Stambaugh as an essential step towards the battle of halting a trend.

The Joint Federal-State Action Committee was created by the President of the United States and the Governors of the 48 States. Speaking before the Conference of Governors on intergovernmental relations in Williamsburg, Va., June 24, 1957, President Dwight D. Eisenhower said: ". . . I suggest . . . that this conference join with the Federal Administration in creating a task force for action—a joint committee charged with three responsibilities:

"One — to designate functions which the States are ready and willing to assume and finance that are now performed or financed wholly or in part by the Federal Government;

"Two—to recommend the Federal and State revenue adjustments required to enable the States to assume such functions; and

"Three — to identify functions and responsibilities likely to require State or Federal attention in the future and to recommend the level of State effort, or Federal effort, or both, that will be needed to assure effective action."

The Conference of Governors readily accepted the President's proposal. For years it had concerned itself with problems of Federal-State program responsibilities, the division of tax revenue sources between the Federal and State Governments, and with emerging problems calling for governmental action — Federal, State and local. The Conference, accordingly, authorized its Chairman, Governor William Stratton of Illinois, to appoint a Committee of governors to serve with Federal representatives chosen by the President on the Joint Federal-State Action Committee.

This was the first time in our history that a President suggested action be taken to reverse the growing trend toward reliance on the central authority for services to our people far beyond the responsibilities originally intended for assumption by the Federal Government.

*An address by Mr. Stambaugh before the 46th Annual Convention of the Investment Bankers Association of America, Hollywood Beach, Fla., Dec. 3, 1957.

Areas of Agreement

The initial deliberations of the Joint Committee developed a number of agreed positions with respect to approach and procedure:

The Federal system requires strong, responsible State governments. The degree to which the States satisfy the needs of modern society determines in large measure the strength of the whole system. The Committee emphasized strongly that the diversity of local needs requires governmental action whenever possible at the local level.

The Committee further emphasized that not all of its recommendations were purely in the area of financial interchange. Its deliberations resulted in recommending several means of strengthening State and local government through the assumption of functions proper to their levels.

The Committee clearly indicated that its recommendations are **not** intended to reduce the scope or effectiveness of the programs considered by it. Its work is not an exercise in program or expenditure reduction.

The only consideration before the Committee is whether a given function can logically be assumed completely at the State and local level and be carried on with even greater effectiveness than under present arrangements. Local control and local decisions over as many of these programs as possible is desirable and necessary. Many of these programs can be enriched by the diversified administration of State and local governments; can be handled more effectively and responsively; and the states should and can obtain resources to finance these programs.

Task Force for Action

As the name implies, the Joint Federal-State Action Committee was created to function as a "task force for action" rather than a study group, at the same time recognizing the value of the many major studies of intergovernmental relations that already have been made. These are particularly exemplified by the Report of the Commission on Intergovernmental Relations, and the many reports in specific areas by the Council of State Governments and others.

The initial phase of this mission is a limited one: to recommend that action be taken to shift a small number of governmental functions and tax sources out of the Federal Government to the States, and to define more clearly certain responsibilities that will continue to be shared by Federal and State Governments. The purpose is to demonstrate that the long-term drift of governmental responsibility to Washington is not inevitable.

Another part of the mission is to identify emerging problems which are likely to require State or Federal action, or combined action, in the future. This the Committee has started to do, and it will identify some of these in its Report, as well as presenting a number of recommended actions.

There is evidence of great potential value in advance review of emerging problems. Adequate attention now to these problems by States and localities may be the best procedure for precluding or limiting Federal intervention later on.

Looking to the future and recognizing that small stimulative grants tend to inject the Federal Government into State and local governmental affairs, the Committee in general agreed that: careful selectivity is essential in considering any future proposals for Federal stimulative grants; no such grants should be provided unless a clear-cut Federal interest exists: and, built-in terminal dates should be included in such grant legislation to prevent continuing operating responsibilities by the Federal Government in spheres traditionally State and local in scope.

The Committee also agreed that each of the programs must be considered on its merits and not in relation to any specific tax source. However, in the overall picture of functions and finances, there should be a relationship between functions to be assumed by the States and amount of tax revenues to be released by the national government. No specific balance sheet can be drawn; but as additional functions are assumed by States and localities, a generally related amount of tax revenues can be relinquished nationally.

Recommendations for Action

The Joint Federal-State Action Committee as a result of its first series of meetings made the following recommendations for action by the Federal Government and the States:

The States assume full responsibility for continuing the programs of vocational education and providing financial support. The President request the Congress to repeal the laws authorizing grants for the older programs of vocational education as soon as practicable. These include training in agriculture, home economics, industrial and distributive trades. The Governors and the legislative bodies of the several States develop necessary means for providing the additional funds to replace the Federal grants.

The States assume full responsibility for financial support of the more recently developed practical nurse training program. The President request the Congress to terminate Federal grants for practical nurse training as soon as practicable and no later than the period presently authorized. The Governors and the legislative bodies of the several States develop necessary means for providing the additional funds to replace the Federal grants.

The States concerned with this industry assume full responsibility for the financial support of the fishery trades and industry vocational education program. This program was authorized only last year. The President request the Congress to repeal as soon as practicable the legislation authorizing Federal grants for this program.

The total amount involved in all vocational education grants is $41,000,000.

The President ask Congress to take necessary action to discontinue construction grants for local waste treatment facilities. $50,000,000 is authorized annually for this purpose. And, that the Governors request the State legislatures to: provide such financial assistance for waste treatment facilities as may be necessary; strengthen as needed State water pollution control programs as they relate to both municipal and industrial wastes; and improve municipal capacity to raise funds to finance waste treatment works.

It was also recommended that the President take such steps as necessary to put into effect a schedule of State-local expenditures to be made before qualifying for Federal aid and to guide the

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Speaking in Frankest Terms as an Understanding Friend

By HONORABLE DONALD M. FLEMING*

Minister of Finance, Canada

Speaking candidly of room for improvement beyond the already good relations and mutual confidence between the U.S.A. and his country, Canadian Minister of Finance directs attention to the serious harm U.S. trade and surplus disposal policies is creating for Canada. In contending America has "a special responsibility not to damage Canadian export opportunities abroad", Mr. Fleming reiterates the strong protest made at a recent meeting of representatives of both countries in Washington, D.C. Turning to investments in Canada, the Minister appeals for voluntary reversal of irritating and damaging policies conducted; particularly, by U.S. parent corporations. Depicts a bright future for Canadian economic outlook; and pledges full friendship and support to the U.S.

Hon. D. M Fleming

In view of the pressures to which a Minister of Finance is subject, particularly while Parliament is in session, I can assure you that my acceptance of your invitation is intended as a recognition of the importance which I attach to this welcome opportunity of discussing before you economic questions of common interest to Americans and Canadians. I regret that those same pressures compel me to return to Ottawa after spending only this one day with you in this lovely setting where I am so much enjoying your hospitality.

The Canadian Nation

Canadians like to embrace every opportunity to make their country better known to Americans. We consider that we know the people of the United States on the whole better than they know us. Probably wherever a very large country and a country of small population are immediate neighbors, the smaller country is always likely to know the larger country better than it will be known by the larger country. It has been estimated that Canadian newspapers devote more than 25 times as much space to news from the United States as American newspapers devote to news from Canada. Perhaps, therefore, I may be forgiven for speaking to you about my country.

As the world measures time, Canada is a young nation. But ninety years ago the Dominion came into being. It was then a confederation of only four provinces; today it spans the north half of this continent and embraces 10 provinces. Its march to the west, to the north and last of all to the east, with the accession of Newfoundland in 1949, was not achieved without the expenditure of blood, toil, sweat and tears. It is a proud record of statesmanship, vision and courage. It compares with any record of nation-building in history.

Two great races, Anglo-Saxon and French, linked together their loyalties and labours to build this nation. Enemies of old, they have achieved a common destiny on the broad, fair soil of Canada and have given to her the uncomparably rich heritage of two cultures. Intolerance and enmity would have denied Canada this destiny; good will triumphed over these divisive forces. Canada owes its creation and existence as a nation to the spirit of tolerance and mutual respect among men of different tongues, cultures and creeds. Unity and uniformity are not the same thing, and Canadian unity is not and never will be based upon uniformity.

When Canada in 1763 passed from French to British rule there were sixty thousand French Colonists in Canada. Two centuries later their descendants number almost five million persons. This is one of the miracles of modern times. Under the guarantees given first by the British Parliament and now by the Canadian Constitution, their rights of language, law, creed and culture have been preserved in the fullest measure. French is one of the two official languages of the Canadian Parliament, of the Federal Courts and of the Legislature and Courts of the Province of Quebec.

With these two principal racial strains has been mingled in more recent times the blood of men from many other lands. The Canadian family has been strengthened by their inclusion; the Canadian culture has been enriched by their contributions.

The march of Canada to full nationhood is as notable a record as her physical march to expanding frontiers. Her assumption of the attributes of nationhood reached its climax when in 1919 the wartime Prime Minister, Sir Robert Borden, signed the Treaty of Versailles on behalf of His Majesty in the name of Canada. It was the first time that Canada had entered into an international treaty in her own right and her own name. It is said that as Sir Robert signed that historic document, his eyes filled with tears and he remarked that he felt that he was signing the treaty in the blood of sixty thousand young Canadians who had given their lives in the Great War.

From that point Canada has gone forward to achieve an ever-increasing measure of recognition in the eyes of the world. To this end have contributed various factors, her resources, the part she has played in the evolution of the Commonwealth of Nations, her close relationships with the United States of America and the fact that historically she has had nothing to live down. The world's recognition has given Canada great opportunities. It has also brought to her vast challenges.

Considering their relatively small population Canadians are an outward-looking people to a degree not exceeded by any other nation in this hemisphere. The fact that we are a young nation has not meant that we are an immature people. Our external policy is built upon four bases, our memberships in the Commonwealth of Nations, the United Nations and NATO, and our very close, almost unique, relationship with the United States of America. Our attachment to these four bases is strong and solid. Withal Canadians are a sturdy, self-reliant people who cherish their independence. May I remind you that these qualities of the Canadian people are strikingly evidenced by the fact that almost alone among your allies in war and peace we Canadians have never accepted any aid from the United States, whether in the form of lease-lend during the war or mutual aid in these post-war years. Indeed, like the United States, Canada has heavily supplied mutual aid to our allies in the North Atlantic Treaty Organization.

The Canadian population today numbers 16½ million. In geographical extent we are the second largest country in the world. In our soil is a vast storehouse of nature's bounty. What appeared some years ago to be gaps in Canada's natural endowment have been filled in overflowing measure by the discovery in recent years of vast deposits of oil, natural gas and iron ore. We possess in abundance the five known sources of energy: water power, coal, oil, natural gas, uranium. We are a major world supplier of forest products and metals. Canada produces over 90% of the world's supply of nickel. We are blessed with tremendous resources of copper, lead, zinc, asbestos, uranium, titanium and other much-sought metals. Nature has been good to us. The opportunity to develop these resources is a challenge to Canadians of this generation and will likewise be a challenge to generations yet unborn.

Canada-U. S. Relations

Canada and the United States probably understand each other better than any two neighbour nations in the world. There is still room, however, for better understanding between them. I believe that Canadians and Americans owe to themselves and the world a positive duty to know each other better.

It is one of the blessings of the extraordinary and cordial relations which exist between Canada and the United States that we can speak to each other in the most candid terms without endangering, not to say rupturing, good relations between us and our sense of mutual confidence. Opportunities of this kind are given only to those who are the best neighbours in the world. Therefore, I shall not weary you with platitudes concerning relations between our two countries, rather I shall speak to you with the utmost frankness.

We Canadians recognize the position of world leadership occupied by the United States. We view with admiration the way in which the American nation in these past fifteen years has risen to the challenge of destiny and has assumed the exactions as well as the responsibilities of world leadership. The generosity of the United States in sustaining other nations in these post-war years is without parallel in history. I traversed free Europe in the critical year 1948. What I saw there left no room for doubt that Marshall Plan aid saved Western Europe.

Canadians and Americans are allies in NATO. Canadian forces

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*An address by Mr. Fleming before the 46th Annual Convention of the Investment Bankers Association of America, Hollywood Beach, Fla., Dec. 2, 1957.

Satellites . . . the Doorway to Space

By GEORGE S. TRIMBLE, JR.*

Vice-President — Engineering, The Martin Company

Investment bankers are advised by Martin scientist-official of crucial differences governing investment decisions in plants of advanced technology and science active in building missiles. Mr. Trimble outlines criteria to identify firms most likely to succeed in this field, and points out profits come not so much from today's operational efficiencies as from making and keeping a head start. Expresses confidence in U. S. A.'s ability to gain rocketry lead in recalling that past experience shows those who are first are not always most successful.

G. S. Trimble, Jr.

On Dec. 17, 1903 the Wright brothers flew the first self-propelled heavier-than-air craft, thus starting the industry which today is the largest employer of people in the USA. On Oct. 4, 1957 the Russian government launched Sputnik I which, for one reason or another, has created a great deal of furor. We have begun the age of space travel. There are implications here for every one of us.

The airplane has made it much easier for us to travel about the earth spending the minimum amount of time on the way and enjoying the most safety, but only in a few isolated cases has this machine made it possible to explore areas of the earth that we had not already explored. The airplane has given us whatever accrues to man's mastery of the depths of the atmosphere. But the atmosphere which he controls is only ten miles thick, a small dimension even if you compare it with the distance a man can walk in a day. Today man is free to move only in two dimensions.

Most Significant Event

History will tell us whether the launching of Sputnik I was the most significant event of this age, or if it might better be classified with the early unmanned attempts at heavier-than-air flight. Our historians may decide that the first manned space trip to be followed by a continuing growth in accomplishment will have been more meaningful. In either case, men stand at the edge of space today. Sputnik I proved to all what a few have known for years; that a Satellite to earth can be put in orbit, and that it is a useful thing to do. For this we, at Martin, are thankful.

In the very near future man will begin to move in three dimensions and, with further work, perhaps even in four as he learns more about controlling his environment. There is a tremendous amount of work ahead as we move forward in the exploration of space. First, we must send out unmanned probes to learn what the environment really is. These probes must go to the moon and eventually to Venus and Mars. In the early stages of reconnaissance, these research vehicles will circumnavigate the celestial body of interest and send back the desired information by television and radio broadcast. Reconnaissance flights of this type can begin very soon, and we shall get a look at the other side of the moon.

While this exploratory effort is progressing, a parallel effort will tackle the problem of safely re-entering earth's atmosphere from space with manned vehicles. It seems likely that the early vehicles will have wings and hence resemble a high speed airplane. They will have been launched by a very large rocket. With the passage of time we will learn how to venture farther and farther from earth, yet be assured of a safe return. Then manned space probe flights will be undertaken and human reconnaissance of the moon will become a reality. With but little more effort, men will land on the moon, explore the surface, and return to earth. During this time the earth satellite will have developed into a very useful machine for mapping, weather predictions, and the many other uses I am sure you are all aware of.

Moon Key to Conquest

The existence of sputniks makes it quite unnecessary for me to develop a reason for the United States to undertake this huge task, but there has been a simple one all along . . . the same reason that compelled Hillary and Tenzing to conquer Mount Everest. Unfortunately, we in America do not seem to pay much attention to reasons like this . . . at least not on the integrated national scale required to proceed with the exploration of space. I can give you a much less abstract reason, however. Wars have been fought over the acquisition of strategically important real estate. The moon is such a piece of land. In years gone by, the military commander holding the high ground had the best chance of winning the battle. Today, the flying machine holds the high ground. Tomorrow, the nation that controls the moon will dominate the earth. Here is a first class military reason for exploring and conquering space . . . a reason any of us can understand.

With all of this work to be done, the opportunities for those industries which accept the challenge are certainly exciting to contemplate. You must be wondering how one might identify those companies most likely to succeed in this field and those which will fall by the wayside. There are many factors to be considered in conducting such an analysis. I shall mention only a few. From a technical standpoint, at least three ingredients are required. First, the company must be a leader in things technological. Knowledge in almost every field of science is required as well as experience in converting this knowledge to useful devices. Second, the company must have extensive knowledge and practice in the specialty of doing business with the government, since the project is much too large to be undertaken any other way. Third, the company must have started a long time ago to define, understand and solve the crucial problems.

Real Competitor Is Russia

It is important for you to realize, in making your analysis, that a business such as we conduct at Martin differs in several profound ways from the accepted pattern for American industry. For example, although we are constantly in heated competition with other aircraft, missile and electronic companies, our real competitor is Russia. We cannot obtain samples of his products to analyze and hence must assume that they are as good or better than ours. This places extreme emphasis on the performance and suitability of our products. We cannot afford to compromise our design for any reason whatever, if such action might make our machine less than the best in the world. We cannot afford to build a pretty good intercontinental ballistic missile. It has to be the best. Perhaps you can see from this why it is so difficult for us to mix military and commercial products.

Similarly you can see that we must embrace change in our operation. We must constantly strive to change our product to obtain improved performance as we learn more from our research efforts. Such a philosophy is foreign to the idea of mass production of a standardized machine. As soon as an idea for improvement has been developed to the point of probable success, we must incorporate it in the product. We cannot shelve it and wait to see what the competition will do on next year's model. Nor can we conduct market surveys to see what the customer will accept.

Because of these things, it would be foolish for us to concentrate too heavily on fractional cost cuts in detailed manufacturing areas as is so often true in the usual industrial case. Rather, we must concentrate on tools and processes of extreme flexibility. For all we know, next year we may need to use an entirely different metal to obtain the best performance.

The factors that make our operation a success and hence return a profit are similar to the ones you are in the habit of considering but the balance and emphasis are profoundly different. We do not so much make our profit on the little efficiencies of today's operation as we do on the seemingly unprofitable advanced efforts that will lead to customer recognition of Martin as the company best suited to produce the world's best performing machine of the future. I shall illustrate this process with an example from the past and then show you how we are now working for profits in the future.

Long Versed in Rocket Work

It has been said that the reason the United States lags the Russians in rocketry is because of a hiatus in American Rocket Development extending from 1945 to 1951 or thereabouts. This is not strictly true. The Martin Company managed to retain a rocket program of significance throughout this period. It was a high altitude research rocket program, called "Viking" sponsored by the Navy. You can read about it in a book called "The Viking Rocket Story" written by one of our friends at the Naval Research Laboratory, Milton Rosen. We acquired a great deal of experience over the ten year period of Viking's active life. Many of our men became trained in all phases

*An address by Mr. Trimble before the 46th Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Dec. 5, 1957.

of rocket work, inventions were made, and new techniques were created. More importantly, we learned things of such abstraction as to be uncommunicable to others even now. Because of this experience and other work we had done, we were able to accept the challenge of Vanguard on July 29, 1955, when the President announced that the United States would attempt to launch an earth satellite during the International Geophysical year (which started last July 1 and will end Dec. 31, 1958). The job to be accomplished was formidable. In two years we were to develop a new rocket which was necessarily complicated by the high performance required, an advanced guidance system to assure accurate placing of the satellite in space, and all of this had to be done at a minimum cost, permitting development of new components only when absolutely necessary and in time for the IGY. This task could not have been undertaken without the background of Viking. Similarly, Titan, the Intercontinental Ballistic Missile we are designing and building at our Denver plant, has many of its roots in this early Viking effort. It may interest you to know that we made our first satellite studies as early as 1947 and that in our opinion a satellite could have been launched two years before now if we had started construction that much sooner.

Some time ago we established RIAS, INC., a wholly owned subsidiary of Martin. RIAS confines its efforts to basic scientific research. Dr. Hans Trurnit, one of the senior members of the staff, has been investigating for two years "What Makes Grass Green." . . . How does a plant convert water, carbon dioxide, and sunlight into oxygen, starch, sugar and protein? Eventually he and his co-workers will learn how to synthenize food and life giving oxygen. Three months ago, very few people could understand Martin Company interest in such things. But this problem must be solved to make space travel a practical thing. I need hardly point out other important applications of the capability of synthesizing food.

This is but one example of the things we at Martin are doing today that will have profound effects on our business of the future . . . just as Viking helped put us where we are today. There are many more, some so seemingly remote to our business of today as to give rise to questions of our sanity in the minds of some.

Company's Future Plans

Our course, however, seems quite clear to us. As we have successfully evolved from a manufacturer of aircraft to this country's leading missile company; so shall we continue to evolve as a major contributor in future fields of advanced technology and science. In the immediate future we expect to be very active in the fields of space exploration and manned space flight, building the advanced machines that are needed. We believe we have prepared well for this. At the same time we shall continue to prepare for our future products, as yet undefinable, by exploring the forefronts of knowledge in search for new principles of science that will assure us of a head start on our competition in times to come.

Although Sputnik I opened the age of space exploration (and we at Martin would have enjoyed being first to do this with Vanguard), we note that past experience shows that to be first is not always to be most successful. We are confident that the United States will gain the lead in rocketry and all those things that it makes possible. The Martin Company intends to make major contributions to the winning of this race.

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Current Economic Situation and Prospective Fiscal Policies

profit. What an easier money policy can do, however, is create a favorable climate for financing. It can act as a stimulus to housing and as an encouragement to undertake projects that were postponed because they could not have been financed profitably at a higher cost. Credit policy must be flexible. As some one said, the credit authorities occupy much the same role as the "T" Quarterback running the option play: To decide in the circumstances whether to keep the ball or to lateral off. There is no assurance that either alternative will work. But the choice should represent the exercise of the best judgment in the circumstances that prevail.

Of course, in order to be really effective, credit policy requires the support of fiscal policy. It requires beyond that the cooperation of management, labor, and the individual consumer. The recent reduction in the discount rate takes cognizance of the fact that upward price pressures are subsiding. Last month the cost of living index failed to rise for the first time in well over a year. For the near term it may be that the cost of living index will continue to level out. But as I intimated a moment ago, to assume that inflationary dangers are permanently behind us would be premature indeed. Deficit financing of any magnitude could quickly revive upward price pressures.

Sees No Room for Pessimism

In concluding I do not want to leave you with a gloomy impression. As a matter of fact, there are still many factors of strength in the economy. For example, there is as yet no indication that the consumer has been contaminated by the pessimism that has prevailed in certain business and financial circles. Employment is still close to the peak and the level of unemployment is modest. Personal income is running at a rate of $17 billion above that of last year, and retail sales have been only slightly below their all time high. Even some of the overcapacity in industry is not as serious a problem as appears on the surface. Surveys indicate that industry as a whole believes that it can operate more efficiently in a range that centers around 90% of capacity rather than 100%. Furthermore, the prospective decline in capital goods outlays in manufacturing is not expected to carry over to expenditures by the utilities and the oil companies. And spending for commercial building is expected to remain at about the same level as for the past year. The pattern of state and local government spending also calls for substantial increases in 1958. These will provide at least a partial offset to whatever decline takes place in private spending.

While the immediate outlook unquestionably is somewhat cloudy, there is no reason to expect that the adjustment we are now going through cannot be held within reasonable bounds. Certainly we have needed a breathing spell for a long time, and if in this period ahead we can eliminate some of the maladjustments that have been built up during recent years, and in the process relieve some of the inflationary strains, the adjustment will prove to have been all to the good. Certainly it is far better to have some adjustment now than later, and for such adjustment to proceed from the current level rather than from an artificially stimulated higher one.

Looking beyond this intermediate period, the prospect for long-term growth is just as bright as it has ever been. Several weeks ago I attended the International Industrial Development Conference in San Francisco. At that Conference were some 500 bankers and industrialists from 62 countries of the free world. I wish I had the time to tell you about the predictions of things to come that were made there, to tell you about the potential that exists in what was described as the world wide population explosion and the possibilities inherent in the combination of such new fields as nuclear energy and electronics. Indeed, when we survey the full potential inherent in the vast research that is now under way, not only here but throughout the industrial free world, the frontiers that are opening up seem endless. Looking at the longer run, I can find only a solid basis for optimism. But in the meantime we have a preliminary job to be done—to correct some of the maladjustments that have crept into the economy during three years of unprecedented prosperity, and thereby lay a solid basis for the renewed advance that is to come.

Smith, Barney & Co. To Admit Four Partners

Smith, Barney & Co., 20 Broad St., New York City, members of the New York Stock Exchange, on Jan. 1 will admit William E. Fay, Jr., Hugh Knowlton, Jr., Andrew J. Melton, Jr. and Robert A. Powers to partnership. Mr. Fay has been associated with the firm in the Chicago office. Mr. Melton is sales manager and Mr. Powers is in the syndicate department in New York.

J. W. Sparks & Co. to Admit J. S. Wynn Jr.

PHILADELPHIA, Pa. — J. W. Sparks & Co., Western Saving Fund Building, on Jan. 1 will admit John S. Wynn, Jr. to partnership.

Report of IBA Municipal Securities Committee

Chairman William M. Adams, of Braun, Bosworth & Co., Detroit, submitted his committee's report covering encouraging municipal financing prospects, broker-dealer registration fees, tax-exempt premium's amortization, and metropolitan area and state legislation problems, among others, to 46th Annual Convention of the Investment Bankers Association of America.

Local government borrowing for public facilities in 1957 promises, on basis of first ten months of this year, to exceed $7 billion record high achieved in 1954, according to Municipal Securities Report. Numerous activities of interest to those in municipal securities dealt with by the Committee includes study being made of school construction costs and source of funds, and problems in Federal and state legislation, legal, and mechanical and planning areas.

Text of Report, including Appendices, follows:

Although money has continued in tight supply thus far throughout the year with low prices and high yields on municipal bonds (compared with the levels of recent years prior to 1956), the demand for construction of public facilities, particularly schools, water and sewerage facilities, has resulted in a large volume of municipal financing. The volume for the first 10 months of this year is close to the volume of the record year of 1954, and it is possible that volume for 1957 will set a new record. The volume for each of the past five calendar years is also shown in the accompanying tabulation.

William M. Adams

The Committee has worked on many problems this year, legislative, legal, mechanical and planning problems, and this report summarizes some of the principal issues.

I

Federal Legislation

(a) Federal Aid for School Construction

The Federal aid for school construction bill, to authorize a Federal program of grants, loans and credit assistance for the construction of public elementary and secondary schools, was defeated in the House on July 25 by a vote of 208-203. The IBA Municipal Securities Committee opposed this bill, and the Chairman of the Committee testified against the bill at hearings before the House Committee on Education and Labor.

A tremendous job is being done by states and local educational agencies in rapidly providing needed classrooms. During the 12-month period from Oct. 1, 1956, through Sept. 30, 1957, there were sold 2,886 issues of school bonds aggregating $2,216,363,000 for the construction of public elementary and secondary schools. This amount, will of course be supplemented by additional funds from other sources such as accumulated building funds, current revenues and Federal aid. Furthermore, in October, 1957, the school bonds sold to finance the construction of public elementary and secondary schools aggregated $279,739,000—greater than the total in any one of the 12 preceding months.

We are making a study of construction costs of public elementary and secondary schools and of the sources of funds for such construction. To obtain information for this study, we sent out questionnaires in October to all public school districts and local educational agencies with a pupil enrollment of over 300, which aggregated 12,000 questionnaires, and we have received over 3,000 replies.

(b) Federal Broker-Dealer Registration Fees

S. 2520, which would amend Section 31 of the Securities Exchange Act of 1934 to require every broker-dealer registered with the SEC to pay a fee in an amount equal to 5c per $1,000 of the aggregate dollar amount of the price of securities sold as a broker-dealer, otherwise than on a national securities exchange, was reported favorably to the Senate on July 11 by the Senate Banking and Currency Committee as a new bill. This was an unusual procedure because no previously introduced bill on the subject was before the Committee and no hearings were held on it. The bill as originally reported on July 11 would have applied to transactions in state and municipal bonds. The Senate Banking Committee on July 16 approved an amendment to exempt transactions in state and municipal securities from the fee. S. 2520, with the amendment exempting state and municipal bonds from the proposed fee, passed the Senate on Aug. 8 and is now pending before the House Interstate and Foreign Commerce Committee.

	General Obligations	Revenue Bonds	Total
1957*	$4,119,303,000	$1,452,696,000	$5,571,999,000
1956	3,775,931,126	1,670,488,445	5,446,419,571
1955	4,244,089,370	1,732,414,450	5,976,503,820
1954	3,754,260,796	3,214,381,100	6,968,641,896
1953	3,990,640,799	1,567,246,570	5,557,887,369
1952	2,937,966,967	1,463,350,500	4,401,317,467

*First 10 months.

(c) Amortization of Premium on Tax-Exempt Bonds Held by Dealers

On July 9, 1957, the House Ways and Means Committee reported favorably H.R. 8381 "to amend the Internal Revenue Code of 1954 to correct unintended benefits and hardships and to make technical amendments." Section 3 of this bill would require dealers to amortize premiums on all tax-exempt bonds held by them and would apply "with respect to taxable years ending after Nov. 7, 1956, but only with respect to obligations acquired after such date." The amortization requirement would apply regardless of how long the bonds were held or the maturity of the bonds. The amortized premium would not be deductible. (For example, under this bill, if a dealer purchased for $1,036 a $1,000 bond maturing in one year and sold the bond in 10 days for $1,037, the dealer would have to amortize the premium attributable to the period during which he held the bond (of the $36 premium $1 would be attributable to that 10-day period), so that amortization of $1 of premium would reduce the dealer's "cost" of the bond for tax purposes to $1,035 and there would be $2 of taxable gain).

Present provisions of law do not require dealers to amortize premiums on tax-exempt bonds if (1) the bonds are disposed of within 30 days after acquisition or (2) the bonds have a maturity or call date more than 5 years from the date of acquisition.

The Municipal Securities Committee of the IBA actively opposed the provision to require dealers to amortize premiums on all tax-exempt bonds acquired after Nov. 7, 1956. After it became apparent that the House Ways and Means Committee felt that present provisions of the law provide a loophole whereunder dealers may trade premium bonds back and forth between themselves after holding the bonds slightly less than 30 days so that they can report "loss" on the bonds as the premium disappears while receiving tax-exempt interest on the bonds, the IBA Municipal Securities Committee recommended that the "loophole" would be largely, if not entirely, closed by cutting from 30 days to 10 days the period which dealers may hold tax-exempt bonds with a maturity of five years or less without amortizing premium. This recommendation was not adopted. In an IBA Newsletter members were urged, if they disapprove of the proposed amortization requirement, to (1) urge their Representatives to vote against H. R. 8381 because it contains unfair and retroactive provisions and (2) also urge state and municipal officials to request Representatives to vote against the bill because it would cause an increase in financing costs for states and municipalities.

H. R. 8381 was not considered by the House, but it retains its status on the House Calendar for further action next year. The Municipal Securities Committee has requested an opportunity for a hearing by the Senate Finance Committee when the bill reaches the Senate.

It has recently been suggested that the "loophole" would be completely eliminated without imposing an unreasonable burden on dealers if dealers were required to amortize premium on tax-exempt bonds **only when they sell the bonds at a price lower than their acquisition cost,** provided that dealers who purchase the bonds directly from the issuer on original issuance would not be required to amortize premium for a period of 60 days following delivery of the bonds by the issuer. Under this proposal, a dealer would not be required to amortize premium on any premium bonds he sells at a profit, and a dealer would not be required to amortize premium on bonds sold at a profit or loss if he purchases the bonds directly from the issuer on original issuance and sells the bonds within a period of 60 days following delivery of the bonds by the issuer. This suggestion will be considered by the Committee at its meeting at the Convention to determine whether this suggestion should be recommended to Congress as a method of closing the "loophole" without imposing on dealers the hardship that would be imposed by section 3 of H. R. 8381.

(d) Municipal Investment Companies

The House Ways and Means Committee referred to a Subcommittee for study the bills which would permit investment companies to pass tax-exempt interest through to their shareholders in "exempt-interest dividends." The

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Report of IBA Industrial Securities Committee

Equity financing's recent prominence, and reasons therefor, are analyzed in report presented by Industrial Securities Committee at the 46th Annual Convention of the Investment Bankers Association of America. The Committee Chairman was Edward Glassmeyer, of Blyth & Co., Inc., New York City.

The resurgence of equity financing relative to total financing and the growing importance of convertible financing are two of several topics stressed in Industrial Securities Committee report to IBA. The unimportance of preferred stock in recent financing is shown, prior to discussion of relative merits and considerations involved in cash versus rights offering methods.

Text of the Report follows:

Amount of Equity Financing

In the two and one-half years ended June 30, 1957, U. S. industrial corporations sold more common stock than in the five years 1950-1954 inclusive. This report discusses certain factors behind this recent upsurge in equity financing, with particular emphasis on the methods used to obtain ownership funds for business, and the contribution of the investment banker.

Edward Glassmeyer

The Appendix attached hereto includes a listing of all industrial common stock issues of $5,000,000 or more which were offered through rights or for cash during the period from Jan. 1, 1956 to Nov. 15, 1957, together with pertinent data for each issue.

How important is equity financing? The dollar amount of equity financing has increased substantially in recent years, both in dollar amount and in percentage of total financing, as shown by Table I. Some of this dollar increase is of course due to the fact that the *total* amount of financing has increased, but it is clear that the equity portion has increased at a faster rate than the total in recent years. Even these figures are conservative, since they do not reflect the increased volume of convertible securities. Although the convertible feature is often used to make a bond or preferred stock more attractive, recent studies have shown that many conversion features are included on the assumption that the senior security will in fact be converted into common stock as the market rises. This assumption may prove to be too optimistic, and conversion may never be effected, but to the extent that conversions are effected, a strong case can be made for including convertible issues as an important means of raising equity capital.

As an indication of the importance of convertible financing, Charts I and II show the difference in the relative size of debt, preferred stock and common stock financing when convertible securities are combined with common stock. It is entirely possible that not all of these issues will be converted, but the charts indicate the potential magnitude of this factor. Regardless of whether any portion of convertible financing is included in the concept of equity there seems to be little question of the importance of the role of equity capital in recent corporation finance.

Reasons for Wide Use of Equity Financing

Recent emphasis on equity financing reflects the desire of corporations to obtain permanent capital when markets are favorable. Within the past several years we have witnessed a substantial rise in the Dow-Jones Industrial Average and a corresponding substantial increase in the volume of common stock financing.

Long-term financial planning and capital budgeting based on sales forecasts are usually the methods used by the management of an industrial company to decide how much additional capital is needed. Then the chief problem is to determine which of the many available methods should be used in obtaining the money. There are many factors involved in this decision, but the central problem is whether to use a debt or ownership type security.

From a cost point of view, borrowing almost always appears cheaper than issuing stock, principally because of our tax laws. Interest is deductible for tax purposes, and this means that the net cost of borrowing (less tax saving) is only about half of the interest rate. Therefore, even in periods when interest rates and stock yields are similar, the effective cost of debt is considerably less.

Under these conditions one might expect that equity financing would always be minimized. This is not the case, however, as Chart III demonstrates. The amount of financing with equity varies a great deal and apparently follows very closely the ups and downs of the market as measured by the Dow-Jones Industrial Average. This would seem to indicate that the relative costs are not unimportant, as equity financing has increased greatly whenever the market has reflected a receptivity to it. Historically, propitious times for the raising of equity capital are relatively few and, as a consequence, the volume of equity financing is high in periods of favorable markets.

Why do some corporations prefer to issue common stock? The use of debt naturally introduces a risk. Debt involves a fixed, unavoidable payment of interest, as opposed to the voluntary payment of dividends on stock. Also the principal must ultimately be repaid. If debt obligations cannot be met, the corporation is in danger of bankruptcy. Common stock equity, on the other hand, provides permanent capital and does not carry this risk.

The greater the proportion of debt in the capital structure of a corporation, the greater is the risk of financial difficulties in times of stress. Consequently, the ratio of debt to equity in the firm's capital structure is an extremely important concern of the management. This concern has a bearing on the decision between debt and equity whenever new capital is to be obtained, since new financing enables the management to alter the relative size of the two components.

The increase in equity financing in the past few years has reflected this concern with the proportion of debt in two ways:

TABLE I

New Securities Offered to the Public for Cash

($000)

	Total	Debt Securities	Preferred Stock	Common Stock
1947	$6,576,824	$5,036,308	$761,959	$778,557
	100.0%	76.58%	11.58%	11.84%
1948	$7,077,820	$5,972,776	$491,535	$613,509
	100.0%	84.39%	6.94%	8.67%
1949	$6,051,550	$4,890,499	$424,662	$736,389
	100.0%	80.81%	7.02%	12.17%
1950	$6,361,043	$4,919,567	$630,822	$810,654
	100.0%	77.34%	9.92%	12.74%
1951	$7,741,099	$5,690,949	$837,656	$1,212,494
	100.0%	73.52%	10.82%	15.66%
1952	$9,582,412	$7,649,363	$564,498	$1,368,551
	100.0%	79.83%	5.89%	14.28%
1953	$8,897,996	$7,083,419	$488,564	$1,326,013
	100.0%	79.61%	5.49%	14.90%
1954	$9,516,168	$7,487,583	$815,908	$1,212,677
	100.0%	78.69%	8.57%	12.74%
1955	$10,240,155	$7,419,869	$635,058	$2,185,228
	100.0%	72.46%	6.20%	21.34%
1956	$10,938,718	$8,002,100	$635,527	$2,301,091
	100.0%	73.15%	5.81%	21.04%
1957 (1st 6 mos.)	$6,901,765	$5,162,440	$234,701	$1,504,624
	100.0%	74.80%	3.40%	21.80%

SOURCE: Securities and Exchange Commission, Statistical Bulletin.

(1) Many corporations, although not unhappy with their existing ratios, desired to provide themselves with greater flexibility for the future. Since debt is almost always an apparently cheaper form of financing and more readily obtainable, corporations can get money advantageously through debt almost any time, provided they do not introduce an unbalanced degree of risk. Therefore, wise management suggests the possibility of developing a larger cushion of equity when conditions are favorable so that future debt financing can be undertaken without introducing a dangerous degree of risk.

(2) Other corporations have attempted in recent years to remedy a lopsided capital structure resulting from the use of debt financing in the past when interest rates were low and the tax advantage an important consideration. These corporations have taken advantage of the favorable stock market conditions in the past few years in order to correct a situation which had made them more than a little uncomfortable.

It should be noted in both of these cases that corporations usually do not try to outguess the market. If considerations of the capital structure indicate the desirability of additional equity, the step should be taken when practicable rather than waiting for the market to go higher. Equity should be secured when the time is ripe, since such times occur only too seldom.

Methods of Raising Equity Capital

A large proportion of the equity funds for business are generated internally through the retention of earnings and through depreciation allowances. At times, however, this internal generation is not sufficient to meet capital demands, and equity funds must be obtained from outside sources. There are a variety of methods for tapping these sources, including the issue of (1) preferred stock, (2) convertible preferred stock, (3) common stock "rights" offerings, and (4) common stock cash

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Report of IBA Foreign Investment Committee

Readiness of underdeveloped areas yearning to participate in economic growth and failings of our private and public foreign investment policies are interrelated topics studied by IBA Foreign Investment Committee. Chairman Johnson, recalling utterances made five years ago when he was IBA President, asserts we are still attempting to settle a long-term crisis with the same emergency operations and are still no closer to real, long-term solutions. Although praising extent of private investment, the Report nevertheless bluntly criticizes much that remains to be done despite existing difficulties.

The Foreign Investment Committee of the IBA, Chairmanned by Joseph T. Johnson, of Milwaukee Company, Milwaukee, in presenting its report at the 46th Annual Convention of the Investment Bankers Association of America, adjured private foreign investors to wait no longer in showing the foresight, courage and unselfishness required to keep the Free World within the orbit of the U. S.

Text of the Report follows:

During this past year your Foreign Investment Committee has sought to accomplish two things: first, to establish contact with governmental and private organizations already active in the field of foreign investments so that we might discover what opportunities our industry has to participate in this work, and might thus provide interested IBA members with necessary information. Beyond this practical objective, however, the Committee has attempted, in the second place, to gain a broad understanding of the entire foreign investment problem: its impact not only upon the individual industry which our own group represents but also on such wider areas as our national economy as a whole, on the government of the United States, and, indeed, on the security of the entire free world. For your Committee is convinced that the more immediate and practical aspects of the foreign investment question cannot be understood or even properly discussed except in the context of these broader issues which I have just enumerated.

Joseph T. Johnson

This Committee considered that it was part of its job to interview anyone who might help us to understand the growing world and its needs. Those whom we interviewed included private businessmen here and in other countries, officials of the U. S. Government concerned with foreign trade and investment, and such individual authoritative sources as Eugene R. Black of the World Bank and Robert Garner of the International Finance Corporation. Our Report to you represents the information thus gathered by the Committee, and its collective judgment, on three related topics: The expansion of world industry; the respective roles played by government and private capital since the War in the financing of this industrial growth; finally, the reasons which suggest that private industry, especially our own investment banking industry, should and even must assume a greater responsibility for, and share in, this expansion—if the world of the future is to develop in that tradition of free enterprise and independent action which we cherish as Americans and as industrialists.

Growth Worldwide

Growth is the keynote of the present world economy. The unprecedented expansion of industrial potential which the free world has witnessed during the past 12 years is neither a mere postwar "catching up," nor is it just another "boom." The sober truth is that we are squarely in the middle of an economic and technological development which (barring another world war and taking into account such temporary periods of adjustment as the economy is now experiencing) is good for an indefinite period. We may anticipate a lengthy period that may well surpass whole centuries of man's earlier material progress. And we must recognize clearly that the expansion of which I speak is truly a "world" growth: increased productivity, a mass consumer market, and the material benefits for a whole nation which result from such economic development is no longer the prerogative of the Ruhr complex, the pound-sterling area, the hard-dollar countries. It extends at least to all those nations still outside the economic domination of the Iron Curtain; more important, its quickening pulse can be felt in such vast and long-depressed areas of the earth as Asia, Africa, and the lands of the Pacific—all of these, I need scarcely remind you, countries and peoples that have long yearned for their proper place in the sun of economic prosperity, and that the free world is now striving desperately to hold within its own camp. Whether or not the huge populations of Asia, Africa, and the Far East are to follow China along the road to Communism, or are to be incorporated, with all their vast resources, into our free world—this question, so fateful for the history of the world, will be decided in great part by whether these peoples, too, can enjoy the benefits which a productive economy has brought to millions of men in the United States.

Consider the facts which substantiate this statement about world economic growth. Manufacturing output in the free world has reached an annual rate of growth of about 6%, more than double the prewar rate. World trade, including U. S. trade, has risen 85% in the past ten years; and whereas the U. S. rate of increase during this period was a healthy 50%, trade in Western Europe and in the Far East has more than tripled. India is engaged in a huge expansion of its already respectable steel output; Egypt seeks the means for creating cheap electrical power; Africa and Turkey are turning to western technology to mechanize their ancient farming techniques; on the American continent itself, the U. S. is being outstripped in rate of industrial expansion by our good neighbor, Canada, and is being challenged in this area by Mexico and South America, whose natural resources are still comparatively untapped.

Note of Caution

This optimistic picture needs, however, to be shaded with some lines of somber warning. Many of the countries now seething with the industrial ferment I have outlined, want, first and foremost, to achieve the standard of living which economic prosperity has brought to the United States; but these countries lack, in most cases, two anchors which have insured our own stability on the high seas of industrial expansion: fixed political institutions founded on a tradition of law, and sound business techniques. Thus they are prone to make mistakes; mistakes produce economic disaster; and disaster in turn invites the malign intervention of a watchful Communism, prepared at every moment to rescue the foundering ship—naturally, on its own terms and to the advantage of its own world policy. To offset this danger of the enstranglement of developing free countries by the Soviet octopus there stands, as modern representative of our historic free institutions, the power of the United States. This power, political and military but above all economic, is thus faced with a great opportunity which is at once a tremendous responsibility; and both opportunity and responsibility are in danger of being lost by default.

Role of Government and Private Capital

Turning now to the second theme, "How have the U. S. Government and U. S. private capital divided our national responsibility for financing the industrial growth of the free world?" When, five years ago, I addressed this convention as your President, I suggested that ". . . for 20 years we have been in a perpetual state of emergency — a succession of crises—induced by either foreign or domestic developments, and in the confusion and frustration many of us have failed to distinguish between short-term crises that permit immediate correction and long-term crises requiring years to work out." It was my meaning then, of course, that to regard the problem of worldwide economic health as a temporary crisis that could be treated by massive but temporary injections of government funds into the starved economies of nations politically friendly to us was to apply emergency measures to a chronic disease; and I urged that our industry should take the lead in rectifying this imbalance between public and private effort. Today I must assert that we are still, as a nation, attempting to settle a long-term crisis by the same emergency operations, so that we seem no closer to real, long-term solutions. If this assertion is true, it is not reassuring.

"Dollar Diplomacy"

Spurred by the pressures of the cold war, and motivated, too, by the American ideal that all nations of the world should enjoy the material benefits which are ours, the American Government has spent over $40 billion in foreign economic aid since World War II. (This figure does not include military aid.) Inevitably, of course, political considerations have often outweighed economic judgment in the administration of this program. Aid to one country has too often had to be balanced by like aid to another, so that finally the conviction has been born that all countries friendly to the U. S. have title to financial aid

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Report of IBA State Legislation Committee

State Legislative Committee reports on current status of variable annuities; extent of state laws dealing with gifts to minors and tax considerations that should be noted; adoption of model Fiduciaries' Securities Transfer Act and different law than that of IBA being drafted by National Conference of Commissioners on Uniform State Laws; position of firms relying on an exemption for unsolicited agency transactions, and issuance of Digest publication of exemptions under state "blue sky" laws; and preliminary work should now be undertaken for important state legislative proposals which includes maintaining close working relationship with state securities commissioners.

Chairman Gilbert H. Osgood of Blunt Ellis & Simmons, Chicago, submitted a summary report of the State Legislation Committee to the Investment Bankers Association's Forty-Six Annual Convention, held at Hollywood, Fla.

The text and the appendices of the Report follows:

I
State Securities Acts

Appendix A contains the substance of the amendments to state securities acts adopted this year by the following: Arkansas; California; Colorado; Florida; Georgia; Idaho; Iowa; Kansas; Minnesota; Missouri; Montana; Nebraska; New Mexico; Oregon; Tennessee; Texas; Utah; Wisconsin.

The outstanding Legislative actions in this field were the adoption of complete new securities acts in Kansas and Texas.

Gilbert H. Osgood

The new Kansas Securities Act is based in large part on the Modified Uniform State Securities Act, and it makes many desirable improvements over the previous Kansas Securities Act. The adoption of the new Kansas Act is the result of good work by Harry Beecroft (Beecroft, Cole & Co., Topeka, Kan.) and Carl Houseworth (Columbian Securities Corp., Topeka, Kan.), in cooperation with the Kansas Securities Commissioner. We commend Harry Beecroft and Carl Houseworth for the outstanding performance in obtaining adoption of an up-to-date securities act in Kansas which will provide better protection to investors and facilitate the conduct of legitimate securities business.

The new Texas Securities Act (1) combines the previous Texas Securities Act (administered under the Secretary of State) and the Texas Insurance Securities Act (previously administered under the Insurance Department) into one Act administered by a securities commissioner and (2) creates a "Texas Securities Board" (of three citizens appointed by the Governor) which in turn appoints the securities commissioner. We commend for their hard work and success in obtaining adoption of the new Securities Act the members of the Legislation Committee of the Texas Group. They are:

Charles C. Pierce, Chairman, Rauscher, Pierce & Co., Inc., Dallas.

Edward H. Austin, Austin, Hart, & Parvin, San Antonio.

Hal H. Dewar, Dewar, Robertson & Pancoast, San Antonio.

Wilbur E. Hess, Fridley, Hess & Frederking, Houston.

Edward Rotan, Rotan, Mosle & Co., Houston.

W. Allen Taylor, E. F. Hutton & Co., Dallas.

Charles D. Kirkham, Merrill Lynch, Pierce, Fenner & Beane, Dallas.

Bills to provide complete new securities acts in Washington and Wyoming failed to pass.

Amendments this year in Florida, Kansas and Utah authorized the securities commissioners of those states to require that applicants for registration as dealers or salesmen pass a written **examination**, and an amendment in Georgia authorized the Commissioner to require that applicants for registration as salesmen pass a written examination.

The procedure in the new Uniform Securities Act to provide a special state registration procedure, described as "registration by coordination," for securities which are being registered under the Federal Securities Act of 1933 was included in amendments adopted this year in the Securities Acts of Colorado, Kansas, New Mexico and Texas.

II
"Variable Annuities"

On Sept. 3, 1957, Judge Wilkin, in the U. S. District Court for the District of Columbia dismissed the case brought by the SEC and the NASD against the Variable Annuity Life Insurance Company of America and the Equity Annuity Life Insurance Company. The substance of the decision is given in a brief quotation from it:

"The logic of the law applied to the established facts seems to bring the variable annuity contract within the purpose and intendment of the Securities Act, and the defendants within the terms and plan of the Investment Company Act. This Court would feel constrained to so hold if it were not for the clear and explicit language of the McCarran Act and the fact that the defendants are licensed and regulated by the insurance departments of this District and the States where they operate. . . ."

"When, however, the Congress passed the McCarren Act . . . it excluded all Federal agencies from regulatory jurisdiction over all insurance companies and insurance business except such agencies as it then excepted or might in the future except. SEC has not been made an exception."

"In view of the fact that the defendants have been chartered as insurance companies by the District of Columbia and their questioned contracts have been approved by the Insurance Superintendent of the District, and by the insurance departments of certain states, this Court is constrained to hold that the broad, explicit and impelling language of the McCarran Act makes them exempt from Federal regulation unless and until Congress provides otherwise. The arguments which plaintiffs advance here should be made to the Congress."

The SEC and the NASD (which intervened in the case as a plaintiff) have appealed the decision to the Court of Appeals.

Even if the McCarran Act excludes all Federal agencies (except those expressly excepted) from regulatory jurisdiction over insurance companies and insurance business, there is still a question as to whether so-called variable annuities" are basically "insurance" within the meaning of the McCarran Act. It appears that the basic feature of a "variable annuity" contract is not insurance, but investment in a diversified fund of common stocks.

Another important decision with respect to variable annuities was issued by the Connecticut Supreme Court of Errors in May. The Court there concluded that a proposed "variable endowment" contract was not an "endowment" and that a proposed "variable annuity" contract was not an "annuity" within the generally used and understood meaning of those terms. Specifically, the Court stated:

"When the legislature used the word 'endowment' in the defendant's charter and in Section 6244, it employed a word generally used in insurance parlance as involving an undertaking to make payment of a specified sum of money."

"The proposed policy includes a 'variable annuity option.' . . . The policy to be issued under the annuity option would provide for the payment, not of a fixed amount of money, but of an uncertain sum, which is quite different from the legal concept of the word 'annuity.' Here again, the legislature employed a term generally used and understood, and it must be assumed that it did so intending that annuity payments should be in definite sums of money."

Accordingly, the Court concluded that the defendant company was not empowered under its charter of Connecticut law to issue the proposed "variable endowment" contract which would

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Report of IBA Public Utility Securities Committee

Confident the utility industry is headed for continued accelerated growth, the Public Utility Securities Committee offers the prognosis that electric energy financing, for example, will pyramid from $4.6 billion scheduled in 1957 and $5.3 billion for 1958 to over $11 billion annually by 1970. Finds reassuring the change by some regulatory bodies allowing higher rates of return and affirmation of "fair value" decision by Iowa Supreme Court, and notes several unfavorable situations.

Prodigious job facing investment bankers as well as utility industry is depicted in a committee report covering the utility securities field presented by Chairman Harold H. Young, of Eastman Dillon, Union Securities & Co., at the 46th Annual Convention of the Investment Bankers Association of America, in Hollywood, Florida.

Text of the Report follows:

Perplexed by spinning satellites and wondering what the effect of counter strategy may be, we lack the prescience to guess the immediate overall direction of the American economy. Nevertheless we continue to be most confident that the pattern of growth in the public utility industry will persist over both the near and the longer terms and that there will be no respite in the recurring need for large scale financing. We do not doubt, therefore, that the challenge to the utilities, the regulatory authorities and the investment banking fraternity will remain unabated.

Harold H. Young

Inasmuch as prophecy for the future should be based on reflections of the past, we append to our report brief tables that point up the picture of continuous expansion in the utility industry. In each of the three divisions, vast investments in facilities have been made over the past decade amounting to a total in excess of $48 billion—$25 billion for electric power, $10 billion for gas transmission and distribution and $13 billion for telephones. Still the rate accelerates each year.

In electric power, installed generating capacity at Aug. 31, 1957 was reported at 125,754,000 kilowatts, an increase of 6.6% over a year ago while output in the latest 12 months gained some 5.9% over the previous similar period. New money raised in the first nine months of 1957 surpassed all previous efforts at $1,985 million.

The gas industry added another 800,000 customers in the year bringing the present total to over $30 million. Construction expenditures for distribution and transmission showed a further rise and are expected to reach $2.13 billion for 1957 in comparison with $1.6 billion in 1956 and $1.3 billion in 1955. Revenues for the 12 months ended June 30, 1957 were at $3.85 billion to record an increase of 11.6 over the preceding similar period. Financing for the calendar year 1956 amounted to $1,583 million as compared with $1,413 million in 1955 and $2,431 million in 1954.

Similarly the telephone industry revealed further growth. Telephones in service at the end of 1956 were 51,344,000 for the Bell System and 9,112,000 for independent companies, reflecting an annual increase of 7% and for the decade, 90%. During last year, new investment made in telephone plant amounted to $2,038 million and at Dec. 31, 1956 stood at $19,880 million. American Telephone and Telegraph and subsidiaries raised about $1,350 million of capital in 1956. General Telephone System, largest of more than 4,000 independent telephone enterprises, accounted for about $140 million of new money.

Notwithstanding the fact that these new highs have been superimposed upon a previous period of enormous expansion, we must expect even further growth in the immediate future. Discussing only one division of the utility industry but illustrative of all, "Electrical World" in its September 2nd issue, presented a forecast for the next dozen years and assembled a number of projections upon which to base its anticipations of the demand for electric energy by the year 1970. As these indicate the prodigious job facing investment bankers as well as the utility industry, perhaps we should summarize them here.

Growth Indicators

The mainstay for our expanding economy is the certain growth in population. From an average annual increment of 1.6 million recorded since the beginning of the century, we have already reached a rate of 2.9 million a year, and by the late 1960's this will exceed 3.5 million. In 1970 our population is predicted at 212.7 million or a total of 26% over 1956. Between now and then households will increase 34% and home building to keep pace must average 1.6 million starts each year.

Gross National Product now gaining at a rate of about 2.5% a year should spurt to double this rate and reach a level of $671 billion or 62% higher in 1970 than at present. With consumers' disposable income boding to increase 60% to $474 billion in 1970, the average residential customer could easily multiply his present consumption four-fold and should produce $11.5 billion in revenue for that year.

The same projection is made for industrial production with the F R B index at 232 in 1970, but because of changing labor circumstances and further automation, demand for electric power by manufacturers is destined to increase from present sales of 292 billion kilowatt hours to 632 billion for 1970. Likewise with the growth of suburban communities, commercial and all other sales are forecast at 353.4 billion kilowatt hours as compared with present sales of 128.3 billion.

All in all, this prognosis is for an industry-wide production of electric energy in 1970 of 1.7 trillion kilowatt hours or upwards to three times the amount produced last year. In order to handle such an increase, expansion of net installed generating capacity is planned at 8.5 million kilowatts in 1957 and nearly double this amount, or 16.4 million kilowatts in 1958. By 1970 the annual addition to capacity is expected to be close to 27 million kilowatts. Financing this development along with the necessary transmission and distribution facilities will pyramid from the $4.6 billion scheduled for 1957 and $5.3 billion for 1958 to something over $11 billion annually by 1970. The demand for capital by this industry will certainly burgeon in the years ahead!

Another look into the future was taken by the President of Pennsylvania Power & Light Co. at a presentation earlier this year before the Pennsylvania Electric Association. He estimated that the investor-owned portion of the electric companies were faced between now and 1970 with a new construction program of about $70 billion of which $25 billion might be expected to be available from depreciation in retained earnings. The balance of $45 billion would have to be new money.

Financing Costs

The fact that utility companies have had to pay much more for their money this year than a year ago is too well known to dwell upon. However, for purposes of the record we do show below relative yields on different types of public utility securities as of Oct. 31, 1957 and Oct. 31, 1956, using data reported by Irving Trust Co. The stock groups 1, 2 and 3 correspond approximately to the quality grouping for the bonds:

*Bonds	Oct. 31, '57	Oct. 31, '56
Triple A___	4.30%	3.66%
Double A__	4.40	3.76
A __________	4.63	4.06
Pfd. Stocks		
Group I____	4.97%	4.42%
Group II___	5.04	4.46
Group III__	5.29	4.69
Com. Stocks		
Group I____	5.41%	4.86%
Group II___	5.45	4.93
Group III__	5.72	5.22

*Yields to Maturity.

The big increase in bond financing in the first nine months of this year as compared with last year, shown in an appended table accompanying this report, can be traced in part to reluctance of utility companies to sell bonds in the latter part of 1956 when interest rates were firming and many managements felt that such a trend might be temporary. When it became obvious that interest rates would be on a higher plane than heretofore many companies in 1957 proceeded with financing and some of the money raised in 1957 might otherwise have been raised in 1956. While some companies have been inclined to make more use of temporary financing than at times in the past we feel that the preponderant sentiment in the utility industry has been to pay whatever the going rate for money might be on the theory that these companies are going to have to raise money annually, or almost annually, and that while interest rates may be high or low in a given year the cost will average out over a period of time.

We have regularly stressed in these reports that if the privately owned utilities are to be able to fulfill their obligations to the public the free flow of funds into their securities must be encouraged. This depends on the existence of a favorable investment climate and the cooperation of regulatory authorities in permitting an adequate rate of earnings. The maintenance of such an atmosphere is of intimate concern to investment bankers as well as to utility managements.

Some investors have expressed concern about the fact that higher interest rates have meant higher cost of capital for utility companies and have worried as to whether public utility commissions would give proper weight to the higher cost of money in establishing rates. Earlier this year a staff member of the "Wall Street Journal" sent a questionnaire to the various regulatory bodies and the answers for the most part were reassuring to the effect that the Commissions would be sympa-

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Report of IBA Canadian Committee

Andrew S. Beaubien, of L. G. Beaubien & Co., Ltd., Montreal, Chairman of Canadian Committee reported to Investment Bankers Association of America, at its 46th Annual Convention in Hollywood, Fla., on the specific near and long-term outlook prospects for main branches of Canadian economic activity.

Temporary slow down in metals, forest products, and capital spending is predicted in Canadian Securities Committee report which holds, however, that less favorable 1958 year than 1957 does not deter optimistic long-run expectations of Gross National Product three times higher than 1955. Outlays for natural gas, hydroelectric and uranium are believed unaffected by overall trend, but report reveals American tariffs' threat to Canadian lead, zinc, and trade in general.

Text of Report follows:

The Royal Commission on Canada's Economic Prospects published its Preliminary Report in December 1956. This document, which gives a survey of the possibilities of Canada's economic development over the next 25 years, was based on a broad examination of the Canadian economy by a specially appointed Commission assisted by an expert staff as well as by the voluntary support of governments at all levels, of universities, of business, labor, professional, agricultural, social and other organizations and many individuals.

Andrew S. Beaubien

Keeping in mind that all long-term forecasts of this kind are necessarily fallible, it is still interesting to see what are the prospects of Canada's economic progress, based on the assumption that there will be no major war, nor another depression, in the next 25 years.

Assuming a net immigration of 75,000 per year (a figure which is far below the actual immigration in the last 10 years), Canada's population by 1980 could reach more than 26.5 million against the present 16.5 million.

Assuming a further increase in productivity, the Gross National Product could amount to approximately $76 billion or nearly three times the 1955 figure of $26.6 billion. Based on these figures, the per capita Gross National Product could reach $2,859 or 67% more than in 1955.

All these figures suggest a growth of the entire Canadian economy on a scale even larger than the development which took place in the last 10 years. However, not all branches will share in the same proportion in the growth of the economy as a whole. Some, e.g. gold and coal mining, will probably decline, others will increase their output in absolute terms but will decrease in relative importance, e.g. agriculture, others again will enjoy a particularly strong upward trend.

Specific Near and Long-Term Outlook

Let us now examine the main branches of national activity and compare the long-term outlook with the present situation and the short-term possibilities, beginning with the industries which have the most promising future.

The projection of the demand for natural gas suggests that consumption may increase 10 or more times within the 25-year period. The potential output of gas is estimated at over 15 times the 1955 production, leaving large quantities for export.

This branch is also the most promising as far as the near future is concerned. The Westcoast Transmission system has already been delivering gas to customers in British Columbia and the northwestern United States since October of this year; Trans Canada Pipe Lines is rapidly extending its market and has already sold by contract all the gas now purchased from the Alberta producers.

New distribution systems are coming into being of which the most important are Quebec Natural Gas, Northern Ontario Natural Gas, Inland Natural Gas and Lakeland Natural Gas. New possibilities of industrialization are provided in large areas, especially in northern Ontario where water power resources are important, but where all fuel had to be imported by railway or truck. New industrial development and largely expanded sales are thus made possible in this region over the long-term.

Further exports, especially to the markets of the midwestern states, are the subject of certain controversy, but generally speaking it can be assumed that sooner or later such exports are bound to become substantial and will continue to increase over a long period of time.

The picture for oil is more complicated. The potential output for 1980 is estimated at 10 times 1955 production and between one and a half and two times anticipated Canadian requirements in 1980, which means that large quantities will be available for export. However, the near-term picture is clouded, as the question of markets tends to become somewhat more acute.

The 1958 Outlook

The outlook for 1958 is one of unchanged or slightly increased consumption, whereas the production potential will again show a marked increase.

An increase in domestic consumption can be expected, either as a consequence of the growth of the population and of the general welfare which will not be important over the short-term, or as a consequence of the extension of the Interprovincial Pipe Line to Montreal, which is not likely to occur in the near future. No substantial increase in exports can be expected over the short-term and it may even be feared that oil imported by tanker may conquer a part of the northwestern U. S. market at present using Canadian oil. On the other hand, considerable new refining capacity is either under construction or planned, especially in the Puget Sound area of the State of Washington. This will substantially alleviate the pressure of surplus production over the middle term.

In the field of hydro-electric energy Canada has vast, still untapped, reserves. These will be particularly profitable to the aluminum industry and by 1980 the output of aluminum in ingots, based on Canadian low-cost power and imported bauxite or alumina, could be five times larger than it is today. However, for the near term the industry faces overproduction and is feeling the consequences of the rapid expansion of installations in Canada, the United States and other parts of the world which has run somewhat ahead of demand. Certain expansion plans had to be curtailed provisionally. Next year will probably see little change in the present situation but consumption should rise considerably in the future and by 1960 there should be a market for all the presently planned increased output.

Base Metals Industry

The situation in the base metals industry presents the same pattern of great possibilities over the long-term and uncertainty as to what will happen in the near future. Copper has the best prospects because of its relative scarcity. Canadian producers are confident that an increased production is warranted. New mines were opened in 1957, with more expected to go into operation later. There seems to be little doubt that the entire Canadian production of the red metal will easily find a market in the next few years. Although at present profits have reached a low point, it can be expected that in a year or two better prices will substantially raise the profit margins of all existing operations.

Some oversupply of nickel is feared by 1961 when the new mines in Manitoba are scheduled to start production, but the long-term outlook is fairly good. Within two or three years total potential free-world consumption will again exceed the increased capacity. Canadian production is expected to double by 1980.

The outlook for lead and zinc is not so good and it will probably be difficult to find a market for any additional production of zinc in the next few years. This year's profits are substantially lower than those of 1956 and no relief can be expected in 1958. However, some improvement might occur over the long-term and in 1980 the output could be two to four times the present level as a result of the general industrial development.

The production of iron ore immediately reflects any changes in the industrial activity of the main market, i.e. the United States. Although total shipments for 1957 will exceed those for 1956, the rate of growth is somewhat less than it was last year. The outlook for 1958 is uncertain. The reception which will be given the 1958 model cars and the activity of the heavy industry in general will be the main factors which will govern the iron ore market in 1958.

Over the long-term, a considerable increase in production seems inevitable in conjunction with the depletion of higher-grade iron ore deposits in the United States, and in 1980 production could be four times the 1955 figure.

Asbestos production depends

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Report of IBA Governmental Securities Committee

Review of past and expected Federal financing by IBA Government Securities Committee concludes with the hope, in view of growing problems now facing us, that we will be able to retain good debt management, fiscal and monetary policy and avoid further inflation. The Chairman of the Committee, Emil J. Pattberg, Jr., of First Boston Corporation, New York City, delivered the report at the Investment Bankers Association's 46th Annual Convention, Hollywood, Fla., Dec. 1-6.

IBA's committee experts on government bonds review Federal securities market and point out that in 1958 the Treasury's refunding program will total $48 billion, excluding regular bills and tax anticipation issues. Expresses the hope that the Treasury will attempt to continue to improve maturity composition of the Federal debt. Notes formidable financing of $65 billion in 1957, highest in past decade, and introduction of 4% rate and concept of a redeemable note.

The Report reads as follows:

During 1957 the volume of Treasury financing of marketable securities exceeded that of any of the past ten years. Excluding the weekly roll-over of bills, the Treasury marketing operations totaled more than $65 billion, or some $3 billion greater than the previous record year of 1954. Of this amount, more than $10½ billion were sold with maturities beyond a year, including over $1 billion of longer-term bonds. Unlike the 1954 operations, most of the financing this year had to be carried out in a booming atmosphere of widespread credit demands, a restrictive credit policy by the Federal Reserve System, and a market which reflected in yields the keen competition of private industry and public bodies for the investors' dollars.

Emil J. Pattberg, Jr.

Few Dull Moments

It is difficult to summarize the action of the bond market in 1957 in any short paragraph. However, it can be said that there were very few dull moments. Business sentiment, which has an important influence on the direction of bond prices, fluctuated widely from booming optimism earlier this year to the mild pessimism of recent weeks. Throughout the year, however, the corporate and municipal markets have been under heavy pressure to provide funds to increase plant capacity, build roads, schools, and other public facilities demanded by our enlarged economy. The savings of the country, though increased during the year, never seemed to catch up with the demand for their use. Federal Reserve credit policy during most of the year was restrictive. Unpledged reserves of the commercial banks were almost always out-balanced to a substantial extent by borrowings from the Reserve System. In August, the Federal Reserve discount rate was increased for the seventh time in the past 2½ years from 3% to 3½%, reflecting Central Bank concern over the rise in the cost of living and the symptoms of boom still in evidence.

Recent Rate Cutback

The force of Federal Reserve restraint was not reduced until last month when the Reserve District Banks reduced the discount rate abruptly from 3½% to 3%, and let the borrowed reserves of member banks recede to a point nearer parity with the banks' excess reserves. It was apparent that Federal Reserve authorities recognized that some of the steam was out of the boom and that the inflationary pressures of our economy had subsided to a manageable state, at least for the time being. The effect of the Federal Reserve action was to dramatically lift the level of bond prices and lower the yields of all high-grade fixed income securities.

Prices and yields in all of the high-grade markets fluctuated widely throughout the year. In the government market, the yields on 90-day Treasury bills ranged from a low of 2.89% to a high of 3.66%; the long-term 3% bonds declined almost 9 points from the high of the year before making any sizable recovery. In other sectors of the bond market, the story is almost the same—yields increased until the 5% coupon was common for the new issues of highest-grade corporate securities. Prices of new tax exempt issues also reflected the heavy weight of new borrowings. Investors were thus called on to ration out the available savings of the country to serve a demand that looked unquenchable.

In addition investors were also asking for protection against the possibility of their investment being refunded at an early date. Higher call premiums and nonrefundability provisions for five, ten, and even longer periods of years thus became part of the corporate financing pattern.

4% Coupon Required

It was with this background that the Treasury last July made plans for the refunding of nearly $24 billion of securities maturing between Aug. 1 and Oct. 1. Under the circumstances, this was a most formidable undertaking, even though about $15 billion of the maturing debt was held by the Federal Reserve System and Government trust accounts. All parts of the investment market were congested. Even the short-term Treasury market, until then a reliable means for emergency borrowing, was giving signs of exhaustion.

To get the job done, the Treasury had to designate a 4% interest coupon for the first time since the Fall of 1933. One reason was that yields of 4% or more were already available in the Government market, and the after-tax equivalent yields of some of the discount securities outstanding were even higher.

Option to Holders

Besides setting the 4% rate, the Treasury introduced the concept of a redeemable note due in four years but subject to redemption at the holder's option in two years. The idea of a convertible instrument, offering investors protection against the changing interest structure, turned out to be a success in the refunding and was used advantageously later in the year in a borrowing operation for cash.

The big summer refunding offered holders of maturing securities a four-month 3⅝% certificate and a one-year 4% certificate besides the redeemable 4% note issue. More than $2½ billion of the four-year notes, quickly nicknamed "2 by 4s" was taken on the exchange. More than $10 billion went into the one-year certificate, and slightly less in the four-month certificate. Almost $8 billion of the conversion into the short certificates represented exchanges by the Federal Reserve System and the Government trust accounts.

In the last half of the year the Treasury sold more than $10 billion of securities for cash, not counting the weekly turnover of Treasury bills. Of this amount, $4¾ billion was in the form of discount bills due in March and April of next year. The sales of these special bills and the subsequent secondary market action revealed that the short-term market had lost its absorptiveness because of the congestive effect of repeated offerings.

The August Financing

In August the sale of bills due in April, 1958 incurred an average cost to the Treasury of 4.17%, with a going market yield of 4.30% appearing in the wake of the sale. Faced in September with the need to raise $3½ billion more in cash, and with the short-term market clearly in over-supply, the Treasury placed major reliance on other maturity areas and offered $500 million of 12-year bonds, $750 million of ten-month certificates and $1,750 million of a redeemable note, and established a common coupon rate — 4% — for all three issues comprising the package. The new note was due in five years, redeemable at the holder's option in 2½ years. All issues were heavily over-subscribed and prices in the short-term market quickly improved as the threat of an additional supply was removed.

Impact of Credit Ease

Last month the Treasury again raised cash through offerings of marketable securities, but the market atmosphere had changed drastically since September with the reduction in the discount rate and a perceptible slackening in new demands for credit. The Treasury's offering—straight maturities of five-year 3¾% notes and 17-year 3⅞% bonds — were heavily over-subscribed, inducing the Treasury to make preferential allotments to savings-type investor categories. These issues have commanded premiums in the secondary market ranging up to 2½ points. The $10 billion certificates due Dec. 1, 1957, of which about $8 billion were held by Federal Reserve and Treasury accounts, were refunded into a one-year 3¾% certificate, with attrition amounting to less than $150 million.

Why Government Borrowing?

Perhaps some explanation should be made as to the reasons why the Treasury needs to borrow large sums of money in a period in which the Government is operating with a budget surplus. The chief reasons are related to the timing of tax collections, the turnins of savings bonds for redemption, and the fact that maturing marketable debt is never refunded in full; the Treasury always has to pay off some in cash.

In respect to taxes, most collections come in during the first half of the calendar year. The Treasury's practice, therefore, has been to borrow in the Fall and repay the debt in the Spring.

The cash attrition on refunding operations during the year 1957 amounted to more than $3 billion. If the Government's cash surplus is not large enough to finance the retirement of debt thus turned in for cash redemption, the Treasury has no other course but to go to the market and borrow.

The third reason is the continuing retirement of nonmarketable demand debt. At the beginning of 1953 there were outstanding $31½ billion of savings type securities, excluding the Series A, E and H

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Report of IBA Nuclear Industry Committee

A report on the "Present Status of the Peacetime Applications of Atomic Energy" was submitted on behalf of the Nuclear Industry Committee to the 46th Annual Convention of the Investment Bankers Association of America by Chairman Dr. Paul F. Genachte, who is Director of The Chase Manhattan Bank's Atomic Energy Division.

The text of the Report follows:

Team of nuclear experts report on the increasingly important economic role radioactive isotopes will play, and the vast financing requirements for the industrial domestic and international possibilities of atomic energy as a new source of usable energy. Report covers the developmental and financing highlights in mining and milling of uranium ores, construction and operation of feed material plants, manufacture and use of reactors and their components, chemical reprocessing of spent nuclear fuels and "waste" disposal, and new metals. Doubts 1962 will be, as predicted heretofore, the date when atomic energy will become competitive with conventional energy sources. Sees the date pushed back to 1965-67; notes sizable increases in estimated costs of the various projects; and is encouraged by private industry's response which should remove dominant governmental control both here and abroad.

The basic industries as public utilities, coal, petroleum, automotive, and steel—are readily identified as separate component parts of a nation's economic structure, since each plays a well-defined role in the industrial life of a nation. Atomic energy, just as has been the case with other basic sources of energy such as coal or petroleum, will in time embrace all the industrial activities of a nation and will color the entire economic spectrum. The earlier forms of energy have in the past impinged upon many different industries, and in the same way every industry will become involved in some particular phase of the atomic energy.

Dr. Paul F. Genachte

Broadly speaking, however, the peaceful uses of the atom can be divided into two fields; first, radioactive isotopes; second, atomic energy as a new source of energy.

I
Radioactive Isotopes

Before the advent of atomic energy, we knew of some 270 stable isotopes of 81 of the 92 natural elements. With the advent of the nuclear reactor and through the use of cyclotrons and other sources of subatomic particles, we have produced artificially some 1,000 radioactive isotopes of 102 elements — the last ten of these elements being man-made. Radioactive isotopes produced in reactors are obtained either by the separation of the fission products or by subjecting materials in reactors to the bombardment of neutrons emitted in fission. Radioisotopes regain a stable form after a more or less accelerated decay process expressed in terms of their half-life. In so doing, they emit alpha and beta particles and gamma rays which can be detected by their effect on materials. New uses for these isotopes are found almost each week in medical and biological research, in medical diagnosis and therapy, agriculture, physical and chemical research, and the sterilization and preservation of food. There are also many existing and new industrial uses to which they are put, such as oil pipe-line markers, beta and radioactive gauges, wear studies, industrial radiography, oil well beneficiation and refinery uses, batteries where tiny amounts of power are needed, heatless vulcanization without sulfur, and the like.

About 100 private firms are engaged in radioisotope processing and redistribution in the United States. At the end of June, about 4,100 U. S. organizations had been issued licenses to possess and use by-product radioisotopes. Of these, close to 1,700 were industrial organizations. From August 1946, to May 1957, shipments of radioisotopes in the United States reached close to 270,000 curies; of this, about one-third was accounted for in the last 12 months of this period.

A survey was conducted by the AEC among industrial users to estimate the annual savings brought about through the use of radioisotopes as of the end of 1956. The cost savings, averaged between the "probable low" and "probable high," amount to $400 million per year, of which almost half is in oil well stimulation applications. It has been estimated that the use of radioisotopes in agriculture provides additional savings of $200 million per year on a very conservative basis. And we should add to those figures, the savings in human suffering which, as Dr. Willard F. Libby, Commissioner of the AEC, said: "can only be measured in the coin of human dignity and happiness."

All these facts clearly define the positive and immediate benefits which are derived from the entire atomic energy program. It is estimated that in four or five years, all such savings will have increased to a yearly figure of $5 billion at an annual cost not in excess of $20 million. We certainly fully concur with the view expressed by Dr. Libby that in five years—probably more nearly three, meaning sometime in 1960—savings through the use of isotopes will offset all atomic energy costs. This would mean the American people and the Western World could pay for atomic armament and atomic power development out of the $5 billion annual savings described above.

In other words, isotopes alone already have begun, and will continue in mounting proportions over the years, to give us a very substantial return on the total investment in the whole atomic energy program. The capital required for the use of these isotopes is in all instances relatively small and thus companies working in the field of radioactive isotopes have not been hindered by a lack of investment funds.

II
Extensive Capital Required for New Source of Energy

This is the second aspect of atomic energy. We have emphasized the increasingly important role—economically and otherwise—that radioactive isotopes will play. Yet, what makes atomic energy so vitally important is that it is a new source of usable energy, representing many times—perhaps 20 to 50 times—the combined energy reserves known to exist in coal, oil and natural gas. To be put to use, this new source of energy must be converted into electrical or mechanical energy or may be used as heat, all different forms of energy. Unlike the production of isotopes, where capital requirements are nominal, capital requirements for atomic energy development are indeed very great.

Broadly speaking, the various industrial activities involved in nuclear energy production are:

(a) Mining of uranium and thorium ores;

(b) Milling of uranium and thorium ores for the extraction of the oxides;

(c) The construction and operation of feed material plants in which the uranium and thorium oxides are transformed either into metal or, in the case of uranium, into a gaseous compound of uranium — uranium hexafluoride — with subsequent separation of it into the two basic isotopes of natural uranium, i.e., uranium-235 and uranium-238;

(d) The manufacture and use of nuclear reactors;

(e) Chemical reprocessing of spent nuclear fuels and "waste" disposal;

(f) New metals.

Excepting mining and milling, where our domestic production is closely integrated with worldwide production, our comments on these various phases of the atomic energy field will deal with the situation at home. The last part of this report will cover the main aspects of atomic energy in the international field.

A
Mining of Uranium and Thorium Ores

Uranium mining has become a sizable industry in the United States with a production of some 3 million tons of ore per year. Ore production in the U. S. will probably double by the end of 1958 to a rate of 6 million tons per year.

Our present proven domestic reserves amount to about 70 million tons averaging around 5 pounds of uranium oxide—U_3O_8—per ton, thus containing 175,000 tons of uranium oxide. At the anticipated 1959 production rate, our presently known reserves cover a ten-year supply. While this is satisfactory and is comparable to our reserves position in fields such as petroleum and others, we could not maintain this position without further aggressive exploration work.

A few months ago, the Eldorado Mining & Refining Ltd. of Canada published an estimate of proven Canadian ore reserves of 225 million tons averaging around 2.1 pounds of uranium oxide, thus containing some 237,000 tons of uranium oxide. More recently, the Canadian Geological Survey reports indicated reserves of economic ore in the Northern and

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Report of IBA Railroad Securities Committee

Pessimistic about the outlook for the railroad industry unless carriers are permitted to discontinue unprofitable passenger operations and to raise rates, IBA railroad report avers rail securities are in more disfavor today than at any time since the 1930's.

Salim L. Lewis, of Bear, Stearns & Co., New York City, in submitting Railroad Securities Committee report to Investment Bankers Association, at its 46th Annual Convention, Hollywood, Fla., Dec. 1-6, 1957, pointed out debit and credit side of rail operations today and adverse phychological reception rail securities are receiving at hands of investors.

Text of the Report follows:

Psychologically, investor interest in railroad securities today is probably at its lowest ebb since the 1930s. This is a reflection not only of the current trend of business but also a realization that although the basic problems of the railroad industry have been publicized year after year, most of the problems still exist—and, if anything, are perhaps more critical today than in previous years.

Salim Lewis

With few exceptions, railroad credit is at such a low level that most roads cannot finance necessary additions and betterments to roadway and structures and, therefore, must use retained earnings and depreciation accruals to pay the costs thereof.

The great strides made in the electronics and mechanization industries have opened up a wide field of improvement to the railroads, yet restricted credit and inadequate earnings limit severely the railroad ability to undertake any but the most essential improvements.

The railroads' continuing need for capital funds for both roadway and equipment has coincided with the huge demand for funds from general industry to finance their expansion programs. Thus, the investor has had a wide variety of choice of vehicle for the placing of available funds and has been able to be quite selective. In 1957, other than equipment financing, no new money financing was undertaken, other than the sale by the Baltimore & Ohio of the Western Maryland Debenture 5½%, 1982 that it had received in connection with the retirement of the Western Maryland 7% First Preferred Stock. Only the two maturing bond issues were refinanced; $8,125,000 Indiana Harbor Belt First Mortgage Bonds with 5⅛% coupon bonds in June and $6,000,000 Toledo Terminal First Mortgage Bonds with 4¾% bonds in October. Interest costs on equipment obligations rose sharply during the year, as exemplified by Norfolk & Western's 3.74% cost in April and 4.55% cost in October. The upward trend of interest rates was also reflected in sharply higher returns available on outstanding bonds. Moody's average of AA bonds which stood at 3.94% at the end of 1956 rose to 4.41% as of Nov. 1. The Baa group rose from 4.58% to 5.36%.

The Symes Proposal

The rising cost of financing the purchase of new equipment and the prospective increasingly larger amount thereof led to the development of the Symes proposal for the creation of an equipment financing agency. Bills were introduced in Congress on Aug. 30 to create a government agency with a $500,000,000 capital with authority to borrow up to four times its capital. It was contemplated that the railroads would obtain equipment under a long-term lease arrangement with annual payments to the agency high enough to cover the agency's operating costs, borrowing costs, and a sum sufficient to amortize the actual cost of the equipment over its economic life.

The low level of railroad credit is a reflection of many factors. The constant inflation in costs continues to absorb much, if not all, of the revenue increases from higher rates and the savings from improved operating efficiency. The continued subsidy of competing modes of transportation and restrictive regulation are barriers to improvement in the railroads' position.

Carriers in Strait Jacket

Basically, one of the greatest weaknesses in the railroad picture is the inability of the industry to adjust itself to changing conditions, an inability that rests largely with the regulatory authorities, both state and Federal. This handicap applies to freight as well as passenger service, with the latter most critical, in that the passenger service deficit absorbs about forty per cent (40%) of the earnings from freight service. In 1956 the passenger deficit was $697,000,000. In 1957 the deficit may well be larger. It should be apparent that the losses from passenger service, a large portion of which occurs on services which the public no longer patronizes, is a burden on interstate and intrastate traffic. It should be apparent that elimination of such wasteful and costly services would greatly strengthen the railroads financially and permit the railroads to modernize their plant and provide better, less costly transportation to the public generally. Yet applications for elimination of such services are greeted with vocal, strenuous opposition from population groups, labor, and the body politic. Legislative proposals to correct many of the inequities die a-borning. Railroads, on a full cost basis, can provide the cheapest mass land transportation other than pipe line. They cannot provide cheap, retail type of transportation and logically should not be forced to continue services that are required only for the benefit of a small minority.

Consolidations Under Study

Railroad management is endeavoring to reduce costs wherever possible and is now looking more and more to cooperative effort with competing roads to eliminate nonremunerative, duplicate facilities. Various railroad consolidations are under concentrated study. The merger of the Louisville & Nashville RR. and its subsidiary, The Nashville, Chattanooga & St. Louis Ry., was consummated. The Erie RR. and the Delaware, Lackawanna & Western RR. have succeeded in consolidation of some facilities, with more in prospect and ultimate consolidation of both roads and the Delaware & Hudson Co. a possibility if the current study supports the move. The Great Northern Ry., The Northern Pacific Ry., and the Chicago, Burlington & Quincy RR. merger study has progressed substantially. Missouri Pacific RR. and Texas Pacific Ry. have merger possibilities under investigation.

The most dramatic announcement on the merger theme was that of the joint study by the New York Central RR. and the Pennsylvania RR. to investigate the possible benefits of coordination of facilities or perhaps ultimate union. While merger discussions between the Chicago & North Western system and the Chicago, Milwaukee & St. Paul & Pacific RR. were terminated last year, the Chicago & North Western has contracted, subject to Interstate Commerce Commission approval, to acquire control of the Litchfield & Madison RR. The St. Louis, San Francisco Ry. has increased its controlling investment in the Central of Georgia Ry. and is waiting results of appeal from the Interstate Commerce Commission's decision authorizing control thereof.

Carloadings Unfavorable

While railroad carloadings ran slightly above the 1956 level through April, the trend since then has been unfavorablle. Cumulative loadings through Nov. 16, 1957 were 5.1% behind the 1956 level, with October loadings almost 10% behind and November loadings as far as 13% behind. The failure of carloads to show the usual seasonal Fall pattern has necessitated sharp downward revisions of potential 1957 net income from early forecasts. Immediate prospects point to a total of about $750,000,000, approximately $125,000,000 under the 1956 level. The poor showing again is due in part to the lag in freight rate increases, the lag in traffic and the sharp increases in wages stemming from the 1956 agreement which lifted wages 12 cents an hour in November, 1956; 3 cents in May, 1957; 12 cents in November, 1957 and calls for a cost of living adjustment in May of 1958 and another 7 cents in November of 1958.

The severe profit squeeze has caused the railroads to prepare another petition to the ICC for further rate increases. The petition, which is expected to be filed shortly, will provide for selective increases rather than the blanket percentage increases requested in recent years. Since the ICC in its Aug. 6 decision invited the railroads to ask for additional increases when the cost of living increases became a known amount, approval of the present request, when filed, should be forthcoming fairly promptly. However, it should be noted that the railroads have to absorb the higher wage costs without any offset until the Commission approves a rate increase. Meanwhile, the deteriorating position of the industry has induced Senator Magnuson, Chairman of the Senate Commerce Sub-committee, to schedule hearings Jan. 13, 1958 to explain three topics:

(1) How the railroads may help themselves;
(2) Changes in ICC policy under existing law; and
(3) New laws to insure a sound railroad industry.

Respectfully submitted,

RAILROAD SECURITIES COMMITTEE

Salim L. Lewis, Chairman
Bear, Stearns & Co., New York
Charles L. Bergmann
R. W. Pressprich & Co., New York
James H. Carson
Salomon Bros. & Hutzler, New York
Walter F. Hahn
Smith, Barney & Co., New York
Gustave L. Levy
Goldman, Sachs & Co. New York
Alfred J. Ross
Dick & Merle-Smith, New York
Eugene Treuhold
L. F. Rothschild & Co., New York
E. Frederic Uhrbrock
Bear, Stearns & Co., New York

Shields & Company to Admit Hansel, Green

Shields & Company, 44 Wall St., New York City, members of the New York Stock Exchange, on Jan. 1 will admit Douglas R. Hansel and Edward E. Green to partnership. Mr. Hansel is manager of the firm's dealer relations department. Mr. Green has also been associated with the firm for some time.

Douglas R. Hansel

Report of IBA Oil and Natural Gas Securities Committee

Though petroleum demand in 1958, at best, may parallel 1957, and high demand for natural gas will continue, both diverging trends share one thing in common, according to IBA oil-gas group, and that is cost-price squeeze. The Committee favors passage of Harris-O'Hara Bill in 1958 to stimulate investor interest in more gas reserves; finds offshore drilling challenges record of any Western Hemisphere region; examines Canadian oil - gas outlook; and sees present oil import plan as an assist to industry survival.

The current oil and natural gas economic picture, in terms of foreign oil and import problems, Canadian developments, offshore drilling success, natural gas rate problems, and surplus refining stocks, is drawn for benefit of Investment Bankers Association at their 46th Annual Convention by Oil and Natural Gas Committee, Chaired by William C. Jackson, Jr., First Southwest Company, Dallas, who is newly elected President of the IBA.

The Report includes the following comment:

Preface

Your Oil and Natural Gas Securities Committee has, this year, attempted a further refinement of the format adopted three years ago, presenting current developments and problems in the industry. Brevity and accuracy are the keynotes. . . . We have omitted the section on "Atomic Energy Threat," since there have been no changes in previous conclusions that atomic energy represents no threat to the industry. "Shale Oil" has also been omitted, no progress having been made on its economic problems, and oil from Gilsonite giving evidence of overshadowing oil from shale.

W. C. Jackson, Jr.

Our "Special Interest" section deals with Petroleum Accounting, and represents possibly the first concise and authoritative treatment of this subject.

Respectfully submitted,

OIL AND NATURAL GAS SECURITIES COMMITTEE

William C. Jackson, Jr., Chairman
First Southwest Co., Dallas

Ralph D. Baker
James Richardson & Sons
Winnipeg

Bayard Dominick
Dominick & Dominick
New York

C. Pharr Duson
Rotan, Mosle & Co., Houston

G. Shelby Friedrichs
Howard, Weil, Laboussie, Friedrichs & Co., New Orleans

L. Emery Katzenbach, II
White, Weld & Co., New York

Joseph H. King
Eastman Dillon, Union Securities & Co., New York

Frederick L. Moore
Kidder, Peabody & Co.
New York

Edmond N. Morse
Smith, Barney & Co., New York

Allen J. Nix
Riter & Co., New York

Paul A. Sellers
The Illinois Company
Incorporated, Chicago

Joseph A. Thomas
Lehman Brothers, New York

I

Foreign Oil and Import Problems

The report on imports and exports presented to this convention one year ago ably outlined the circumstances of the import problem. The basic factors of this situation have existed throughout the postwar period, and have changed little during the past year, other than in their intensity.

The Suez closure last winter interrupted the flow of imports only temporarily. By April of this year crude oil imports, as reported to the Texas Railroad Commission, totaled over 840 thousand barrels daily, as compared with 760 thousand barrels daily brought in during April, 1956. Furthermore, reports filed with the Office of Defense Mobilization showed that crude oil imports programmed for the second half of this year would aggregate 1,261,000 barrels daily, or 17.4% of estimated domestic output. This was substantially higher than the 1956 level of imports, which for the full year averaged 11.8% of domestic production.

On the basis of the reports filed with his office, Gordon Gray, Director of the ODM, reported to President Eisenhower that he believed the level of crude oil imports endangered our national security. Subsequently, the President appointed a special Cabinet Committee on crude oil imports to investigate the situation and determine the facts. The recommendations of that committee were the basis for the imports-control plan announced in July. As of now, the oil industry of this country is operating under the conditions of the control plan. Therefore, whether to restrict imports or not is no longer the question. What we need to know is how well the plan will serve to achieve a solution of the many-sided imports problem.

Immediately following the announcement of the imports-control plan, there was much speculation as to whether the oil industry would unanimously comply. Some described the plan as a violation of anti-trust legislation. Previous arguments against restriction by quota were revived. Certain importers indicated that they believed the restrictions applied to them were excessive in view of their self-restraint during the test years, and that they would request a hearing for their cases. However, it now appears as though the imports-control program will receive the necessary compliance. For the most part both importers and domestic producers have expressed satisfaction with the plan. Let us assume that the industry will continue to operate under the provisions of the plan as long as requested to do so. Then, our concern is with the features of the plan as influenced by current and future conditions within the world petroleum industry.

Aids Canadian Crude

Essentially, the burden of the restriction now is absorbed by seven established East Coast importers. The seven, who accounted for 60% of total crude oil imports in 1956, were requested to hold their imports to 90% of their average for the three years 1954-1956. Imports into the West Coast are exempt for the time being. The restrictions apply only to importing areas of the United States, not to specific foreign oil production. These few provisions are simple, but they reflect broad and varied concepts.

The plan excludes West Coast imports on the grounds that the area is in itself deficient of crude oil. From a practical point of view, however, it is significant that the bulk of these imports are Canadian crude. Thus, while not accepting Canadian crude by name, the plan in fact works little hardship on Canadian oil production. This is a desired effect, both for strategic and economic reasons. Another provision . . . the exemption of products . . . operates in a similar manner. A significant portion of Venezuela's exports to the United States is in the form of products, particularly residual fuel oils. Again for strategic and economic reasons it is desirable to encourage the development of Venezuela's oil reserves. These two provisions then recognize the desirability of stronger commercial ties between the countries of the Western Hemisphere, but, at the same, do not specifically favor any foreign oil producing country. To do that would be politically undesirable.

A particularly important feature of the plan is that it "bends over backwards" to keep the government's role at a minimum. This effort is appreciated, for the most part, by all segments of the industry. . . . Briefly, the new plan is still "voluntary"—but the provisions are more carefully worked out. Furthermore, it is generally conceded that the President, under the authority of legislation adopted in 1955, has the power to enforce the formula if necessary. That is the step which neither the industry nor the government wants. By spelling out that which is required, and then leaving it up to the importers to comply, the government has given the industry an opportunity to prevent such measures.

* * *

Future Oil Requirements

Projections of future energy requirements are only estimates, as are projections of future energy sources. But, out of the body of statistical data, several generalizations appear. For one thing, it is becoming increasingly expensive to enlarge our domestic oil reserves, but within economic reason the discovery of such new reserves is highly desirable. For another, stronger economic and political bonds between Western Hemisphere nations should be encouraged, and it would seem that at some future time large scale access to Middle East oil reserves on the part of this country will be virtually imperative. These generalizations do not point the way to a solution of the imports problem, but they do point out one fundamental conclusion. In the interest of their own long range prosperity, as well as in the interest of the political objectives of the free world, the various segments of the oil industry must cooperate fully. On the face of it, the new imports control plan seems to offer a good opportunity for working out differences and for establishing those compromises which are essential to the survival of the industry on any basis worthy of the favorable attention of the investor of the future.

II

Recent Developments in Canada

The Canadian petroleum industry's thinking is centered at the present time on three things: the finding of a market for the steadily and rapidly rising crude oil production potential; the next successful wildcat well; and natural gas.

Western Canada's crude oil production capacity is now on the order of 950,000 barrels daily, with close to 200,000 barrels daily having been added during the first half of 1957. Actual production, on the other hand, averaged only 470,000 barrels daily in 1956. Output in the first half of 1957 was assisted materially by the Suez Canal situation and the average production for the period rose to some 520,000 barrels daily.

With the decline in tanker rates following the re-opening of the Suez Canal, the demand for Cana-

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Report of IBA Federal Taxation Committee

Rejecting suggestions that a post-Sputnik spurt to our defense program has made tax reform a dead issue, IBA Taxation Committee report advances argument justifying a lowering of individual and corporate income tax rates as rapidly as possible. The Committee contends present income and capital gains taxes are "positively harmful"; the downward business trend would be arrested and the results would more than compensate for revenue loss of about three-quarter of a billion dollars with the dropping of upper tax brackets to 50% maximum. Maintains substantial capital gains reduction would increase tax revenues, and urges its eventual abolition.

Investment bankers, meeting for their 46th Annual Convention at Hollywood, Fla., Dec. 1-6, 1957, were told by Walter Maynard, Partner of Shearson, Hammill & Co., New York City, on behalf of IBA's Federal Taxation Committee that, despite the space satellite threat, this is the time to institute urgent tax reforms.

Text of the Report follows:

Walter Maynard

A discussion of tax reform at this moment has a possibility of being more fruitful than at any time since the last revision in the tax laws in 1954. This is for the general reason that, despite budget problems and prospective increases in armament expenditures, both political parties would like to see a tax reduction next year, that students of the impact of our present tax laws are to a greater extent than ever before convinced that the steep progression in the personal income tax is harmful to our economic development, and that the state of industrial activity in this country is rapidly approaching a point at which the stimulus of reduced taxes is badly needed—as it was in 1949 and 1954.

As usual, there will be a widespread effort on the part of many politicians to use the issue of tax reduction purely for political advantage without regard to considerations of tax **reform.** In order to counter unwise and politically inspired manipulation of one of the most potent of economic forces, it is important that each one of us, and, to the maximum extent possible, every voter, understand the basic workings of the tax laws—and that we use this understanding to impress upon our legislators the need for rational tax reform.

The traditional area of tax interest of the securities industry is the capital gains tax. In our industry we are fully aware that the capital gains tax differs from all other taxes in that the taxpayer can, at his own option, indefinitely avoid incurring liability for it. We would much like to see the rate of the tax reduced because we know, and many authorities agree, that a reduction in the rate would both produce more revenues for the Treasury and free for venturesome use tremendous amounts of capital now locked up by the tax. However, we are also aware that because of the tremendous disparity between the top effective rate of the capital gains tax (25%) and the top rate of the personal income tax (91%), we can't realistically hope for a significant reduction in the capital gains tax rate until the progressive part of the personal income tax rate structure is substantially reduced. Therefore in this report some of the arguments for reduction in the personal income tax will first be reviewed, followed by suggestions for reform of the capital gains tax.

Our Industry Is One of Small Business

To begin with, much sympathy and solicitude is now being expressed on all sides for the small businessman. In this connection, it is interesting that our industry is an industry of small businesses. This is made clear when it is considered that the total capital in our industry, which is made up of some 4,500 firms, a high proportion organized as partnerships, is estimated to be on the order of $800 million, and the total number of employees is not far from 100,000. This compares with such a single giant as, for example, Sears Roebuck, which has capital of $2 billion and 220,000 employees. Our industry, like others composed of small businesses has been hit hard by the cost squeeze and by the obstacle to accumulating capital presented by our punitive progressive personal income tax structure.

Presumably because of concern over the trend of business in general, in which small business plays so large a part, the monetary authorities have recently started a program of easing the policies of credit restraint that have been pursued since 1955. While easier money may be helpful, it should be remembered that no action could be taken which would be more stimulating to business than to reduce taxes. In fact, many authorities believe that if tax rates were to be reduced in an intelligent manner, the stimulating effect on business would be such that the actual amount of money received by the Treasury from the new lower taxes would be larger than would have been received if the old rates had been kept in effect. It is remembered that in the 1920's taxes were reduced in almost every year, and in every year Treasury receipts rose. **A stimulation of this kind to general business would be the most effective single action which the government could take to help the small businessman.**

Let us now turn to some consideration of the **kind** of reform in the personal income tax that we would like to see, but before starting that aspect of this discussion, a few basic facts will be helpful in giving perspective.

A Few Basic Facts

One of these facts, not fully appreciated, is that if the Treasury were to tax at 100%—confiscate—all net incomes of individuals over $20,000 per year, the total additional revenue to the government would be only $1.9 billion—the government now derives approximately $34 billion a year from all personal income taxes. If the top individual tax bracket were stopped at 50% instead of climbing on up to 91%, the government's revenue loss would be only about three-quarters of a billion dollars a year. If the top tax bracket were set at 75% instead of going on up to 91%, the revenue loss would only be about $80 million a year. If the top rate of tax were made 20% — the lowest bracket — the Treasury would still collect $28.6 billion of the $34 billion it collects today, and this computation takes no account of the almost inconceivable stimulus to business that such a tax cut would produce. That particular $5.5 billion returned to the taxpayer would be the most dynamic dollars that could be imagined. A substantial part of these dollars would, in the nature of things, not be employed for current consumption, but would be saved, and much of these savings would be employed in a venturesome manner. The facts that stand out here are that very substantial cuts in the brackets above the lowest rate would, at the worst, cause only minor reductions in revenue and, more likely, as a result of the combination of increased incentives and increased saving, would actually result in a comparatively short time in higher revenues.

Subsidy for Extravagance

Two other inter-related factors stand out in this connection. The first of these is that income tax rates which exceed 50% actually tend to subsidize extravagances of all kinds, in that Uncle Sam bears the big half of the cost of business entertaining, air-conditioned Cadillacs, corporate owned airplanes, seasonal trips to sunny Florida, and the like.

The second factor is that tax rates exceeding 50% create positive and continuing incentives for tax avoidance. When tax rates exceed 50%, it becomes more worthwhile for businessmen to devote their time to avoiding a dollar's worth of taxes than to earning an additional dollar of income, and this is a fundamentally anti-social situation. For this reason your Committee feels that the policy of this Association should be to advocate a reduction in both personal and corporate income taxes to a maximum level of 50%. This reduction in the maximum rate should be accomplished as rapidly as possible, and in accordance with a prescribed schedule. The purpose of a prescribed schedule of tax reductions extending over a period of years is to assure that increased tax

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Report of IBA Investment Company Committee

Chairman Charles F. Eaton, Jr. notes impressive growth of funds in 1957 with sales of shares reaching a new high and redemptions less than 1956; and with record number of monthly accumulation plans. Supports enactment of proposed legislation to exempt from taxation dividends of investment companies with bulk of their holdings in tax-exempt securities. Alerts fellow-IBA members to threat presented by the variable annuity, in attempting to circumvent federal and state insurance and securities laws.

The growth of investment company business into a major financial institution and factors affecting this activity are brought out in a report delivered by Investment Company Committee Chairman Charles F. Eaton, Jr., of Eaton & Howard in Boston, to the 46th Annual Convention of the Investment Bankers Association of America.


Chas. F. Eaton, Jr.

The text of the Report follows:

Your Investment Company Committee as selected by the President is composed of Association members representing underwriting, management and the retail distribution of investment company shares. Those who have served on the Committee this year are named at the end of this report.

Open-end investment companies—an innovation only three and one-half decades ago—have now become an institution, a $10 billion industry with a growth pattern that augurs well for IBA members.

I

Investment Companies in 1957

This growth has been impressive in 1957. By Dec. 31, investors will have purchased $1.4 billion of new mutual fund shares, a record high; value of shares turned in for redemption will total less than $420 billion, lower than the figure for 1956. More than 425,000 net new accounts will have been opened by individual and institutional investors, bringing the total number of accounts to more than three million. A record number of accumulation plans — 222,000 — for regular monthly purchase of mutual fund shares will have been opened, and more than 635,000 such plans will be on the books.

Most IBA members have at least a dual interest in the activities of investment companies. Nearly all members engaged in the retail distribution of securities offer investment company shares to the public; and nearly all IBA members perform services for investment companies in connection with the operation of their portfolios. Investment company portfolios are not static, but constantly adjusted as managements endeavor to keep their portfolios responsive to their policies and objectives. In 1957, for example, investment companies will have purchased for portfolio, securities valued at about $2.3 billion; sales from portfolio will total approximately $1.4 billion. All but a small portion of this volume will have been transacted on organized securities exchanges or in the Over-the-Counter Market.

In 1957 the Committee has carefully reviewed the major developments affecting the industry and its relationship to the IBA. Meeting this ever-widening Committee responsibility is facilitated through participation of Committee members in the activities of other industry organizations and through close liaison and cooperation with the National Association of Investment Companies, the National Association of Securities Dealers and their various operating committees.

The following does not purport to be an all-inclusive summary of developments in 1957, but seeks to highlight matters which the Committee considers of particular interest and concern to most IBA members.

II

Federal and State Legislation

In 1957 there have been more significant legislative and tax proposals affecting investment companies and their shareholders than in any year since 1939. Of particular importance are the following:

Proposed Revision of the Investment Company Act of 1940

Following consultation with the National Association of Investment Companies (NAIC) and other interested groups, the SEC proposed to Congress several amendments to this basic law. (HR 9329 and S. 2796.) Many of the proposed amendments are technical in nature, having little serious impact on the business. However, it is probable that the business will repeat in legislative hearings the objections previously submitted to the SEC with respect to two specifics of the Commission's proposals:

(1) A recommendation that a company's "investment objectives and characteristics" be made matters of fundamental policy, to be changed only with shareholder approval, is opposed because the proposal, as worded, could unduly hamper the proper exercise of management discretion and

(2) A proposal to limit even further the provision governing eligibility for investment company boards of directors is opposed because the present law and other regulations already too severely limit the areas from which directors may be selected.

Transfer and Issues Taxes

(HR 7125) The "Excise Tax Technical Changes Act" as presently written would have a most serious impact on investment companies and their shareholders. The bill was passed by the House of Representatives in June and referred to the Senate Finance Committee, which will probably hold hearings early in 1958.

The investment company business maintains that imposition of an issue tax on investment company shares, which represent an interest in a portfolio of securities on which issue and transfer tax has already been paid, represents double taxation, in effect, of the investment company investor. Consistent with the conduit theory applying to taxation of income dividends distributed to investment company shareholders, the industry has contended that its shares should be exempt from issue tax. It has also contended that there should be exemption from transfer tax on transfers involved in the technical process of issuing shares from the fund, to underwriter, to dealer, to purchaser.

It is anticipated that the industry will urge recognition by the Senate Finance Committee of the onerous inequities this bill would impose on the investment company shareholder.

Municipal Bond Funds

For three years President Eisenhower, in his Economic Report, has urged Congress to enact legislation permitting investment companies with the bulk of their assets invested in tax-exempt securities to pass through to their shareholders the tax-exempt nature of income received on such securities. Purpose of such legislation would be to broaden the market for issues of state and local governments.

Revised bills (HR 8810, 8811 and 1812) introduced in the closing days of the 1957 Congress by Representatives Cooper, Reed and Curtis, were referred to the Mills Subcommittee on Internal Revenue Taxation for hearings early in 1958.

Several investment company sponsors have expressed interest in establishing such funds if the needed legislation is enacted; many state and local fiscal officers have urged enactment as a possible partial solution to their financing problems.

The Committee expects that industry representatives will support enactment of the necessary legislation by the 1958 session of the 85th Congress.

New York Prudent Man Law

When New York State revised its law in 1950 to permit fiduciaries and trustees to acquire limited amounts of common stocks, it limited selection to issues traded on national securities exchanges. Shares of open-end investment companies, even though they represent in most cases a portfolio of eligible securities, were disqualified since such shares are technically regarded as unlisted issues.

This makes it impossible for the New York trustee, in the absence of authority in the trust instrument, to take advantage of the professional management and diversification available through investment company shares. In many instances, particularly where small amounts are involved, this inadvertent discrimination works

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In Attendance at IBA Convention

ABRAMS, JAMES S.
Allen & Co., New York

ADAMS, WILLIAM M.*
Braun, Bosworth & Co., Detroit

AHBE, JOHN L.
Distributors Group, Inc., New York

ALDRICH, GEORGE D.*
The Parker Corporation, Boston

ALEXANDER, NORMAN J.
James Richardson & Sons, Winnipeg

ALEXANDER, TED R.
Texas Bank & Trust Company, Dallas

ALEXISSON, GUSTAVE A.
Granbery, Marache & Co., New York

ALLEMAN, F. MONROE
Leedy, Wheeler & Alleman, Orlando

ALLEN, ALONZO C.
Blyth & Co., Detroit

ALLEN, E. RAY
E. Ray Allen & Co., Chicago

ALLYN, ARTHUR C.
A. C. Allyn & Co., Chicago

ALLYN, JOHN W.
A. C. Allyn & Co., Chicago

ALMON, TAYLOR B.
Rauscher, Pierce & Co., Dallas

ALTGELT, Jr., E. J.*
Harris Trust & Savings Bank, New York

ANASTASIA, ALBERT A.
Dow Jones & Co., New York

ANDERS, CURTIS L.
Blair & Co., New York

ANDERSON, EDWARD C.
Anderson & Strudwick, Richmond

ANDERSON, GEORGE W.
Anderson & Strudwick, Richmond

ANDERSON, HERBERT R.
Distributors Group, Inc., New York

ANDERSON, Jr., WILLIAM J.
Equitable Securities Corporation, Nashville

ANGLIN, THOMAS L.*
Mackall & Coe, Washington

ARMITAGE, ALBERT T.*
Coffin & Burr, Boston

ARNOLD, EUGENE
Harriman Ripley & Co., Philadelphia

ARNOLD, H. WILSON*
Arnold & Crane, New Orleans

ARTHURS, ADDISON W.*
Arthurs, Lestrange & Co., Pittsburgh

ASCHER, H. ALBERT
Wm. E. Pollock & Co., New York

ATKINS, J. MURREY*
R. S. Dickson & Co., Charlotte

ATWILL, Jr., WILLIAM
Atwill & Co., Miami Beach

AYRES, Jr., ROBERT M.
Russ & Co., San Antonio

BABICH, LEO B.*
Hill Richards & Co., Los Angeles

BAIRD, ANDREW M.*
A. G. Becker & Co., Chicago

BAKER, PHILIP D.
White, Weld & Co., New York

*Denotes Mr. and Mrs.

BAKER, RALPH D.
James Richardson & Sons, Winnipeg

BAKER, ROBERT H.
Rowles, Winston & Co., Houston

BALDWIN, ROBERT H. B.
Morgan Stanley & Co., New York

BANCROFT, E. M.
Stranahan, Harris & Co., Toledo

BARRINGTON, CHARLES S.
Harry Downs & Co., New York

BARROW, WILLIAM R.*
Barrow, Leary & Co., Shreveport

BASSETT, EARL K.
W. E. Hutton & Co., New York

BAXTER, Jr., CHARLES M.
Baxter & Co., Cleveland

BAXTER, DANA F.*
Hayden, Miller & Co., Cleveland

BAXTER, MARK L.*
Vance, Sanders & Co., Chicago

BEAUBIEN, ANDREW S.
L. G. Beaubien & Co., Montreal

BECK, EDWIN L.
Commercial & Financial Chronicle, New York

BEDE, ALAN H.
Julien Collins & Company, Chicago

BEECROFT, HARRY
Beecroft, Cole & Co., Topeka

BEIL, Jr., FREDERIC C.*
Beil & Hough, St. Petersburg

BEINHORN, Jr., WILLIAM A.
Russ & Co., San Antonio

BELL, GEORGE DeB.
Drexel & Co., Philadelphia

BENNETT, FRANK S.
Cutter, Bennett & Co., New York

BENTLEY, KEITH M.
Dawson, Hannaford, Inc., New York

BERGMANN, CHARLES L.
R. W. Pressprich & Co., New York

BERQUIST, P. A.
First National Bank, Chicago

BERL, WARREN H.
Sutro & Co., San Francisco

BERNDT, ALVIN H.
Lord, Abbett & Co., New York

BETZ, Jr., FRANK T.*
Delaware Distributors, Inc., Philadelphia

BINGHAM, CURTIS H.*
Bingham, Walter & Hurry, Los Angeles

BLACK, Jr., EUGENE R.*
Lazard Freres & Co., New York

BLACKFORD, Jr., HENRY J.
A. M. Law & Co., Spartanburg

BLAIR, ALLAN*
Allan Blair & Co., Chicago

BLAKE, JOHN L.
Eaton & Howard, Boston

BLEIBERG, ROBERT M.*
Barron's Weekly, New York

BLYTH, ROBERT B.
National City Bank, Cleveland

BOEHMLER, ERWIN W.
Investment Bankers Association, Washington

BOENNING, HENRY D.
Boenning & Co., Philadelphia

BOGERT, Jr., H. LAWRENCE*
Eastman Dillon, Union Securities & Co., New York

BOLES, EWING T.*
The Ohio Company, Columbus

BOWEN, FRANCIS*
Government Development Bank, San Juan

BOWMAN, FRANCIS B.
The Chase Manhattan Bank, New York

BOYCE, C. MEREDITH*
Mercantile-Safe Deposit & Trust Co., Baltimore

BOYNTON, ELWOOD D.*
C. F. Childs & Co., New York

BRADLEY, S. WHITNEY
Eaton & Howard, Boston

BRADY, EUGENE
Thomson & McKinnon, New York

BRADY, NICHOLAS F.
Dillon, Read & Co., New York

BRAUN, Jr., FREDERICK C.
F. S. Moseley & Co., New York

BRAUNS, ROBERT A. W.
McDonnell & Co., New York

BRAYSHAW, DONALD B.
Lord, Abbett & Co., Atlanta

BRECKENRIDGE, HUNTER*
McCourtney-Breckenridge & Co., St. Louis

BREEN, DONALD*
Glore, Forgan & Co., New York

BREWER, ORLANDO S.*
Phelps, Fenn & Co., New York

BREWSTER, GERALD W.
F. S. Moseley & Co., New York

BRINKER, ROBERT R.
John Nuveen & Co., Chicago

BRITTEN, WILSON A.
Calvin Bullock, Ltd., New York

BROOKS, JOHN H.*
Putnam & Co., Hartford

BROOME, ROBERT E.
Guaranty Trust Company, New York

BROPHY, FRANK J.
R. S. Dickson & Co., New York

BROWN, AUSTIN*
Dean Witter & Co., New York

BROWN, CARL C.
Laurence M. Marks & Co., New York

BROWN, HARRY*
Salomon Bros. & Hutzler, Chicago

BROWN, MURRAY F.
C. F. Childs & Co., New York

BROWNE, ALAN K.*
Bank of America, San Francisco

BRUSH, GERALD F.*
Brush, Slocumb & Co., San Francisco

BRYAN, JOHN E.
Cleveland Plain Dealer, Cleveland

BRYAN, JOHN F.
Smith, Barney & Co., New York

BRYCE, T. JERROLD
Clark, Dodge & Co., New York

BUCK, RICHARD A.*
Putnam Fund Distributors, Boston

BUECHLER, RICHARD K.
E. F. Hutton & Co., New York

BUELTMAN, EDWIN A.
Blair & Co., New York

BULLOCK, WILLIAM C.
Bankers Trust Company, New York

BUNCE, HAROLD
World-Telegram & Sun, New York

BUNKER, GEORGE M.
The Martin Company, Baltimore

BUNN, JOHN W.
Stifel, Nicolaus & Co., St. Louis

BURKHOLDER, H. FRANK
Equitable Securities Corp., Nashville

BURNS, Jr., JAMES F.
Harris, Upham & Co., New York

BURNS, EDWARD H
F. Eberstadt & Co., New York

BURNS, III, JAMES F.
Blyth & Co., New York

BURR, EDWARD B.*
Natl. Assn. Investment Companies, New York

BUSH, ROLLIN C.
First National City Bank, New York

BYRNE, EDMUND C.*
Phelps, Fenn & Co., New York

BYRNE, WILLIAM D.*
Phelps, Fenn & Co., New York

CAFONE, THOMAS C.
W. E. Hutton & Co., New York

CAHN, Jr., WILLIAM M.
Henry Herrman & Co., New York

CALLAGHAN, JOHN W.
Goldman, Sachs & Co., New York

CALLAWAY, DAVID H.*
First of Michigan Corporation, New York

CALVERT GORDON L.
Investment Bankers Association, Washington

CAMPBELL, IRVING H.*
Bell, Gouinlock & Co., Toronto

CAPEK, CHARLES A.
Lee Higginson Corporation, Chicago

CARBERRY, PATRICK
Wall Street Journal, New York

CARLETON, WALTER B.*
Fahey, Clark & Co., Cleveland

CARLSON, DON A.*
Barcus, Kindred & Co., Chicago

CARLSON, J. HOWARD
Carl M. Loeb, Rhoades & Co., New York

CARPENTER, EDWARD E.*
McDougal & Condon, Chicago

CARR, FRANK C.
John Nuveen & Co., Chicago

CARRINGTON, Jr., WILLIAM G.*
Ira Haupt & Co., New York

CARRISON, H. GEORGE*
Pierce, Carrison, Wulbern, Inc., Jacksonville

CARSON, JAMES H.*
Salomon Bros. & Hutzler, New York

CARTER, Jr., FRANK E.
Equitable Securities Corp., New York

CARTER, Jr., HUGH D.
Courts & Co., Atlanta

CARTWRIGHT, TODD*
Sweney, Cartwright & Co., Columbus

CASEY, JAMES D.
A. C. Allyn & Co., New York

CATE, Jr., HENRY F.*
Keystone Company, Boston

CHANNER, FREDERICK W.*
Channer Securities Company, Chicago

CHAPMAN, R. C.
Fulton Reid & Co., Cleveland

CHARTERS, R. MICHAEL
Assn. Stock Exchange Firms, New York

CHISHOLM, FRANK A.
Varnedoe, Chisholm & Co., Savannah

CHRISTIE, Jr., ROBERT E.
Dillon, Read & Co., New York

CHRISTOPHEL, ARTHUR A.
Reinholdt & Gardner, St. Louis

CLAFLIN, III, WILLIAM H.*
Tucker, Anthony & R. L. Day, Boston

CLAPP, Jr., JOHN J.*
R. W. Pressprich & Co., New York

CLARK, FORRESTER A.
H. C. Wainwright & Co., Boston

CLARK, HAROLD W.
Clark, Landstreet & Kirkpatrick, Nashville

CLARK, JOHN C.
Wachovia Bank & Trust Co., Winston-Salem

CLARK, JOSEPH F.
Municipal Finance Officers Association, Chicago

CLARK, WILLIAM
Chicago Tribune, Chicago

CLARK, WILLIAM H.*
Merrill, Turben & Co., Cleveland

CLARKE, HARRISON*
Johnson, Lane, Space & Co., Atlanta

CLARKE, JAMES H.
American National Bank, Chicago

CLAYTON, CALVIN W.*
Clayton Securities Corporation, Boston

CLEARIHUE, LLOYD
A. E. Ames & Co., New York

CLIFFORD, MORTON
A. G. Edwards & Sons, St. Louis

CLOUTIER, MISS DOROTHY K.
Investment Bankers Association, Washington

CLUETT, W. SCOTT
Harriman Ripley & Co., New York

COCULO, T. ANTHONY
Fidelity-Philadelphia Trust Company, Philadelphia

COGGESHALL, GEORGE K.
Schoellkopf, Hutton & Pomeroy, New York

COHEN, MORTIMER A.
Sterne, Agee & Leach, Montgomery

COHU, H. WALLACE*
Winslow, Cohu & Stetson, New York

COLEMAN, C MERRITT
Allen & Co., New York

COLLINS, JULIEN H.*
Julien Collins & Company, Chicago

COLTHUP, JAMES F.
Freeman & Co., New York

CODON, RAYMOND V.*
B. J. Van Ingen & Co., Chicago

CONWAY, POWHATTAN M.
The Bankers Bond Co., Louisville

COOK, HALSEY A.
First National City Bank, New York

COOK, HAROLD H.
Spencer Trask & Co., New York

COOPER, WALTER W.
F. S. Smithers & Co., New York

COSTIGAN, EDWARD J.
Edward D. Jones & Co., St. Louis

COUGHLIN, WALTER J.*
Coughlin & Co., Denver

COUIG, J. DALTON
Hirsch & Co., New York

COYLE, ALFRED J.
Hayden, Stone & Co., New York

CRAFT, ROBERT H.*
The Chase Manhattan Bank, New York

CRAIGIE, WALTER W.*
F. W. Craigie & Co., Richmond

CRAWFORD, Jr., ALLEN*
French & Crawford, Atlanta

CREELY, WALTER J.*
Goldman, Sachs & Co., St. Louis

CRISSMAN, BENJAMIN
Reynolds Metals Company, Richmond

CROSS, CALVIN M.*
Hallgarten & Co., New York

CROSSLEY, E. LYNN*
Municipal Finance Officers Assn., Dallas

CROUTER, GORDON
DeHaven & Townsend, Crouter & Bodine, Philadelphia

CROWELL, WARREN H.*
Crowell, Weedon & Co., Los Angeles

CUNNINGHAM, FRANCIS J.
Kidder, Peabody & Co., New York

CURTIN, J. S.
Kalman & Co., Minneapolis

CURTIS, ARTHUR W.
A. G. Becker & Co., Chicago

CURVIN, WINTHROP S.
Smith, Barney & Co., New York

CUTLER, R. M.
The Parker Corporation, Boston

DACEY, WILLIAM J.
Natl. Securities & Research Corp., New York

DALENZ, JOHN McG.
Calvin Bullock, Ltd., New York

DALY, H. OWEN*
Mercantile-Safe Deposit & Trust Co., Baltimore

DARMSTATTER, E. WILLIAM
Stifel, Nicolaus & Co., St. Louis

DAVIDS, MARK*
Lester, Ryons & Co., Los Angeles

DAVIS, CLARENCE F.*
The First Cleveland Corp., Cleveland

DAVIS, G. POWELL
Investment Corporation of Norfolk, Norfolk

DAVIS, GEORGE W.*
Davis, Skaggs & Co., San Francisco

DAVIS, MISS NANCY
With Mr. & Mrs. George W. Davis, San Francisco

DAVIS, SHELBY CULLOM
Shelby Cullom Davis & Co., New York

DAY, JAMES E.
Midwest Stock Exchange, Chicago

DEAN, HOWARD B.
Harris, Upham & Co., New York

DEAN, REGINALD H.*
Nesbitt, Thomson & Co., Montreal

de BARY, MARQUETTE
F. S. Smithers & Co., New York

DeBOLT, RICHARD H.
Indianapolis Bond & Share Corp., Indianapolis

DeGROTT, WILLARD G.*
Bateman, Eichler & Co., Los Angeles

DeHAVEN, WALTER T.
DeHaven & Townsend, Crouter & Bodine, New York

de MILHAUD, JOHN W.
The Chase Manhattan Bank, New York

DE SELDING, EDWARD B.
Spencer Trask & Co., New York

DEVLIN, WILLIAM A.
Reynolds & Co., New York

DICK, JACKSON
E. F. Hutton & Co., Atlanta

DICKSON, R. STUART
R. S. Dickson & Co., Charlotte

DILLARD, JACK*
Beecroft, Cole & Co., Kansas City

DIXON, JOSEPH W.
American Securities Corp., New York

DOE, Jr., WELDON*
Sellers, Doe & Bonham, Montgomery

DOERGE, JACK O.*
Saunders, Stiver & Co., Cleveland

DOMINICK, BAYARD*
Dominick & Dominick, New York

DORBRITZ, ERNEST O.
Moore, Leonard & Lynch, Pittsburgh

DOUGLAS, LESLIE
Folger, Nolan, Fleming-W. B. Hibbs & Co., Washington

DRISCOLL, ROBERT S.
Lord, Abbett & Co., New York

DROBNIS, GEORGE J.
30 W. Washington Street, Chicago

DuBOIS, ALLEN C.
Wertheim & Co., New York

DUCOURNAU, JACKSON*
Ducournau & Kees, New Orleans

DUFFY, SYDNEY
Blyth & Co., New York

DUNN, STEWART A.*
C. J. Devine & Co., New York

DUSON, C. PHARR
Rotan, Mosle & Co., Houston

EARLE, HENRY
First of Michigan Corporation, Detroit

EASTER, CHARLES W.
Blyth & Co., San Francisco

EATON, Jr., CHARLES F.
Eaton & Howard, Boston

EATON, JOSEPH E.
Eaton & Howard, Boston

EBBITT, KENNETH C.
Shelby Cullom Davis & Co., New York

EBERSTADT, ANDREW
F. Eberstadt & Co., New York

EDWARDS, JOHN H.
R. J. Edwards, Inc., Oklahoma City

EGAN, JOHN F.
First California Co., San Francisco

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Report of IBA Aviation Securities Committee

Expert committee on air industry financing castigates CAB rate regulation in charging "airlines lack the earning power and financial strength to serve the public adequately and to finance new jet equipment that will require more capital than at any time in airline history." Finds our aircraft industry hamstrung by arbitrary cutbacks and airlines jeopardized by outmoded regulation at a time when U. S. S. R. endangers our security. Recommends threefold program to ensure U. S. aviation superiority.

FOREWORD*

Virtually every member of the Investment Bankers Association has either underwritten aviation securities or has clients who are stockholders in the industry. Every member of the Aviation Securities Committee has participated directly in financing of the industry and is qualified to speak from professional experience.

It is the opinion of the Committee that constructive results can come from this report if Association members who concur with its views will distribute copies to their clients and urge them to petition their representatives in Congress.

In the past the major voice in Washington has been that of the aviation industry. In view of recent trends in world events, it is now especially appropriate for the financial community to make known, and to support, its views.

AVIATION SECURITIES COMMITTEE
of
INVESTMENT BANKERS ASSOCIATION OF AMERICA

**All stock valuations in this report are based upon market close, Oct. 29, 1957. Other figures are from published sources believed reliable and checked by independent authority but not guaranteed by the IBA or this Committee.*

Donald N. McDonnell of Blyth & Co., Inc., New York City, Chairman of the Aviation Securities Committee of IBA, warned the Association's 46th Annual Convention, at Hollywood, Fla., that the Committee is seriously concerned about the state of the air industry and defense.

The text of the Report follows:

The aviation industry today is absolutely vital to the future of America.

I
The Aviation Industry in America

Upon its wellbeing may depend our national survival, our military defense, and our domestic economic growth. With the Soviet totalitarian economy apparently equal to or ahead of American free enterprise in development of intercontinental and intermediate range missiles, we cannot further lag and preserve national security. With the capacity of our Strategic Air Command to destroy Russia, the major deterrent to aggression, we cannot yield air superiority and still ensure world peace. Nor can we allow our major future source of passenger transportation and our largest manufacturing employer to decline into a depressed industry.


Donald N. McDonnell

II
The Basic Problem Confronting the Aviation Industry

The domestic trunk airlines and the aircraft manufacturers, both fundamentally different components of the aviation industry, face two different sets of financial and governmental problems. Under the restrictions of Civil Aeronautics Board rate regulation, the airlines lack the earning power and financial strength to serve the public adequately and to finance their new jet equipment expansion. Under the violent fluctuations of Defense Department procurement policy, the aircraft manufacturers may find it increasingly difficult to obtain the capital funds and long-term credits necessary to finance their crucial role in America's air defense.

Therefore, both as bankers who have financed the growth of aviation and as citizens dedicated to the national welfare, we believe it in the public interest to present constructive suggestions concerning the airlines' and aircraft manufacturers' separate problems.

III
The Domestic Trunk Airlines' Problems from an Investment Banking Viewpoint

A. Historical Problems of the Airlines

From the investment bankers' viewpoint the domestic trunk airlines present a whole series of historical problems which directly affect their financial future.

The airlines are subject to CAB utility-type regulation of fares and of operations plus the added hazard of enforced competition. A government ceiling is imposed on earnings while a free competitive economy determines costs and revenues. Average air passenger fares remain at 1942 levels, while wages, gasoline, repairs, depreciation, and equipment costs all have increased. In contrast, intercity rail and bus fares have risen an average 11% and 18% respectively since 1948. The ICC has judged even these increases inadequate and recently granted Eastern railroads a further 20% fare increase.

The airlines are subject to a narrow type of rate regulation, in effect placing a restrictive ceiling upon earnings derived from sound management. The CAB staff has taken the position that passenger fares should be determined on the narrow basis of rate of return on depreciated assets and has even included fluctuating capital gains on sale of aircraft in the determination of fair earnings. It has also argued that depreciation of airline equipment should be based on a seven-year life with a 25% residual, derived from historical experience, when, in fact, the bulk of present operating equipment may be rendered obsolete by jet competition within the next four years.

The airlines lack a captive or secure market and are subject to increasing competition, encouraged both by regulatory authority and by industry pressures. Airline facilities are also subject to the direct competition of all other forms of common carrier transport. CAB policy has been to intensify airline competition by increasing certification of carriers over identical routes. Today there are substantially more airline routes serving the 25 major passenger markets in the U. S. than there are either bus or rail routes. As but one result, the airlines' passenger load factor (percentage of available seat-miles occupied) has decline sharply from 69.6% in 1951 to 62.5% in the 12 months ended June 30, 1957, thereby raising costs per unit revenue.

The airlines suffer from a high operating ratio and a high ratio of expense to capital investment, resulting necessarily in wide fluctuations in earnings. During the period 1946-56, the airlines' operating ratio (ratio of total operating expenses, depreciation, and taxes to total revenues) averaged 96.8%. This is significantly higher than the ratios of five other regulated industries—water, electric, natural gas, telephone, and railroad—which ranged during the same period from 71.0% to 90.3%.

The airlines have suffered a declining earnings trend during their period of greatest growth, in contrast to the normal industrial pattern of rising earnings with revenues. During the 1950-56 period, the domestic trunk airlines' revenues increased about 2½ times. But net profits, inclusive of non-recurring gains, rose only 1.9 times, exclusive of such gains but 1.6 times. Thus, operating profits lagged 35% behind revenues during the industry's period of maximum growth. This downward earnings trend has accelerated in recent months. During the first five months of 1957, revenue passenger miles increased 14% over the year before, but a 20% increase in operating expenses resulted in a 60% decline in net operating income.

Today one of the strongest of the major lines projects bare coverage of dividends in 1957, actual loss after payment of interest in 1958, and a negative working capital position by the end of 1959. Another major, with a $1.3 million net loss in 1956 and a projected $2.5 million loss in 1957, has petitioned the CAB for an immediate $18 million-a-year subsidy to offset what it called its "critical financial condition." This would be the first U. S. trunkline driven back to the discontinued policy of subsidy by the taxpayers.

B. Investment Community Appraisal of the Airlines

The result of the above problems has been a decline in the market value and price-earnings ratio of airline stocks, indicating the investing public's disfavor and unwillingness to accept their fluctuating return and high risk.

Whereas airline stocks sold at an average 50% premium above book value as recently as 1951, today they sell at a significant discount. While Standard & Poor's 500 industrial stock index has declined 18% from 1956-57 highs, investors have down valued airline stocks a far greater 53%. While investors capitalize Standard & Poor's industrials at 12.1

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Report of IBA Municipal Securities Committee

bills introduced by the ranking Democrat and Republican members of the Committee (H. R. 8810 and H. R. 8811) would permit the pass through of the tax exemption by regulated investment companies whose income is at least 95% from tax-exempt bonds; but H. R. 8702, introduced on July 15 by Representative Curtis, would permit any investment company holding tax-exempt bonds to pass the tax-exempt interest through to shareholders in "exempt-interest dividends" if the investment company meets the income test of regulated investment companies prescribed in Section 851(b) of the Internal Revenue Code (i. e., all corporations deriving at least 90% of gross income from dividends, interest, and gains from the sale of securities, if less than 30% is from the sale of securities held for less than 3 months).

(e) Bank Underwriting of Revenue Bonds

No action was taken on the bills to authorize banks to underwrite revenue bonds.

(f) Federal Financial Aid to Economically Depressed Areas

A subcommittee of the Senate Committee on Banking and Currency held hearings in March and April on a bill "to assist areas to develop and maintain stable and diversified economies by a progrm of financial and technical assistance" and on a bill "to alleviate conditions of substantial and persistent unemployment and underemployment in certain economically depressed areas;" but neither of the bills was reported by the Committee. No action was taken on similar bills in the House. A summary of the programs proposed in these bills is contained in Appendix A.

(g) Financial Institutions Act

S. 1451, to amend and revise the statutes governing financial institutions and credit (including the National Bank Act, the Federal Reserve Act and the Federal Deposit Insurance Act) passed the Senate with amendments on March 21. Extensive hearings were held on the bill by the House Banking and Currency Committee, but it was not reported by the Committee.

(h) Tax Exemption of Housing Authority Bonds

No action was taken by the House Ways and Means Committee on H.R. 7000 which would amend the Internal Revenue Code to deny tax exemption to housing authority bonds.

(i) Federal College Housing Loan Program

The Federal College Housing Loan Program authorizes the Administrator of the Housing and Home Finance Agency to make loans with maturities up to 50 years to "educational institutions" to finance the construction of housing or other educational facilities at an interest rate determined **annually** under a formula specified in the statute (not more than the higher of (a) 2¾% or (b) the average annual interest rate on all interest-bearing obligations of the U. S. then forming a part of the public debt as computed at the end of the fiscal year next preceding the issuance and adjusted to the nearest ⅛ of 1%, plus ¼ of 1%), if such loans are not available from other sources upon terms and conditions equally as favorable. For the fiscal year beginning July 1, 1957, the interest rate under this program has been 3% (if such loans are not available from other sources at that rate) — when the Federal Government's full faith and credit obligations of a comparable maturity were selling to yield higher than 3⅝%.

The administration's housing program proposed to amend the College Housing Loan Program (1) to provide a new formula for determining **quarterly** the interest rate at which Federal college housing loans will be made if they are not available from other sources at that rate, and the proposed formula would fix the interest rate for the quarter beginning Oct. 1, 1957, at 3⅞%; and (2) to increase the authorized funds for such loans by $150,000,000. This proposal was included in a bill favorably reported by the House Banking and Currency Committee this year, but the bill was not adopted.

The Housing Act of 1957 increases from $750,000,000 to $925,000,000 the funds authorized for loans under the Federal college housing program. The Act also amended the definition of "educational institution" for which Federal loans may be made under the program to authorize loans to (1) any educational institution beyond the level of high school (no part of the net earnings of which inures to the benefit of any private shareholder or individual) the courses of which are designed to train persons to carry on the vocation of clergyman of a religious denomination, (2) any hospital operating a school of nursing beyond the level of high school approved by the appropriate State authority, or any hospital approved for internships by recognized authority, if such hospital is either a public hospital or a private hospital, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and (3) any agency, public authority or other instrumentality of any State establishment for the purpose of providing or financing housing or other educational facilities for students or faculty of any public educational institution qualifying for a loan under the program.

II
Liaison Subcommittees

For several years we have had a Liaison Subcommittee to work with the Municipal Law Section of the American Bar Association. However, it became apparent this year that cooperation with several other organizations was also desirable in the work of the Liaison Committee. Accordingly, a General Liaison Subcommittee was appointed under the Chairmanship of Walter Craigie (F. W. Craigie & Co., Richmond), and a list of the members of this Subcommittee is in Appendix B.

Great progress was made this year in effecting cooperation between some of the principal organizations concerned with municipal finance when, during the meeting of the Municipal Law Section of the American Bar Association in New York on July 12, there was for the first time a joint meeting of the Liaison Committees of the Municipal Finance Officers Association, the Municipal Law Section of the ABA, the Municipal Forum of New York and the Municipal Securities Committee of the IBA. The principal subject of discussion at this joint meeting was the recommendation by a special IBA committee last year that the notice of sale or the bid form on state or municipal bonds should expressly provide that the issuer would furnish to the purchaser a certificate stating that no litigation is pending or, to the knowledge of the signers thereof, threatened affecting the validity of the bonds.

The Municipal Law Section of the American Bar Association, at its meeting on July 13, adopted the following resolution on this subject:

"*Whereas* State and Municipal Bonds are customarily offered for public sale subject to the opinion as to validity of the Bonds rendered by an attorney, commonly called a Bond Attorney, and

"*Whereas* the Bond Attorney is usually selected by the issuer of the Bonds, and

"*Whereas* the purchaser of the bonds, being required to accept the opinion of such Bond Attorney, should be protected, so far as practicable, by the standards of practice in the rendering of such opinion, and

"*Whereas* the Section of Municipal Law has been requested to aid in the establishment of such standards,

"*Therefore*, be it resolved by the Section of Municipal Law of the American Bar Association, that all Bond Attorneys are urged to conform to the following practices and definitions:

(1) An unqualified opinion approving an issue of public securities means an opinion which contains no reference to any litigation, or threat of litigation, or proceeding involving the validity of the Bonds, or the means provided for their payment.

(2) The Bond Attorney at the time of delivery of the Bonds, should obtain from the issuer, and make available to the purchaser of the Bonds, a certificate stating that no litigation is pending, or (to the knowledge of the signer) threatened involving the validity of the bonds or the means provided for their payment."

While this resolution did not go quite as far as the recommendation in the report by the IBA Special Committee, adoption of the resolution by the Municipal Law Section of the American Bar Association will go far to establish the practice to provide the desired type of non-litigation certificate.

We wish to express our appreciation for their cooperation in these joint meetings particularly to the following:

From the M. F. O. A.: George N. Shaw, President, (Director of Finance, Miami, Florida); Lynn Crossley, Chairman Liaison Committee (City Auditor, Dallas, Texas); Joseph Clark, Executive Director.

Municipal Law Section of American Bar Association: George F. B. Appel, Chairman (Townsend, Elliott & Munson, Philadelphia, Pa.); Robie Mitchell, Chairman Liaison Committee (Mitchell, Pershing, Shetterly & Mitchell, New York); David M. Wood, Previous Chairman Liaison Committee (Wood, King & Dawson, New York); William Tempest, Secretary.

Municipal Forum of New York: Marquette de Bary, Chairman Liaison Committee (F. S. Smithers & Co., New York).

To further the cooperation between these organizations through joint meetings of their Liaison Committees the Chairman of the Liaison Committee of each of the Associations referred to above was invited to attend this Convention and there will be a joint meeting of these representatives during the Convention.

In order to facilitate closer cooperation with the American Bridge, Tunnel and Turnpike Association, whose members have many problems of mutual interest with our industry, a special

Liaison Subcommittee was appointed under the Chairmanship of Walter Steel (Drexel & Co., New York) and a list of the members of this Subcommittee is included in Appendix B. Members of this Subcommittee participated in panel discussions at the workshop meeting of the ABT & TA in Washington in June and at the Annual Meeting of that Association in Chicago in October.

III

Legal Opinions

Recently one of the outstanding law firms on the Pacific Coast has proposed that legal opinions be printed on the back of municipal bonds. A copy of a memorandum prepared by the law firm regarding this proposal was sent to members of this Committee and to members of all group municipal committees for comment. The proposal procedure could not be used where the legal opinion is too long to be printed on the back of the bond, as is frequently the case in the revenue bond issues. Several substantial objections have been raised with respect to the proposal but most municipal bond dealers have evidenced enthusiasm over the possibility, and the proposal will be given further consideration at the meeting of the Committee during this Convention.

In connection with the proposal to print legal opinions on the back of bonds, it has been suggested that as a substitute for delivery of a copy of a legal opinion to each purchaser, bonds might carry a statement that a legal opinion regarding the bonds has been deposited with an indicated depository. The Committee does not believe that this would be a desirable practice because, if each purchaser did not receive a copy of the legal opinion, dealers might be subjected to suits by purchasers who claim that the offering circular did not reveal material conditions or covenants that were recited in the legal opinion.

IV

Metropolitan Area Problems

There has been an increasing interest and concern in recent years over so-called "metropolitan area" problems, particularly with respect to determination of (1) the appropriate governmental unit to furnish certain services, such as transportation, water, **sewers, schools and police and fire protection, (2) the division of political authority among the various governmental units within the area and (3) the means of financing the services provided in the area.**

The IBA is participating in a "Continuing National Conference on Metropolitan Problems" which is designed to serve as a cooperating agency for groups and organizations concerned with metropolitan problems; to encourage and cooperate in such research and to prepare and cooperate in the preparation of such publications and to hold such national, regional and other meetings as may further the objectives of the Conference. We request that members send to the Municipal Director for a central file copies of any reports regarding metropolitan area studies in their respective areas, so that this information will be readily available when it may be useful in other areas.

An IBA Subcommittee on Metropolitan Area Problems has been appointed under the Chairmanship of Mr. John Linen (The Chase Manhattan Bank, New York) and a list of the members of this Subcommittee is in Appendix B. The report of the Subcommittee is in Appendix C.

V

Model Revenue Bond Loan

A preliminary draft of a Model Revenue Bond Law has been prepared for the National Municipal League which will sponsor the Model Law when it is in final form. A copy of the draft was sent to all members of the Municipal Division Council and the Municipal Securities Committee with a request for their comments or suggestions. A special informal committee under the Chairmanship of Mr. Orlando Brewer (Phelps, Fenn & Co., New York) was appointed to study the draft and to submit their comments and suggestions, and a list of the members of this special committee is included in Appendix B. The suggestions of this special committee have been submitted to the National Municipal League.

VI

Industrial Revenue Bonds

In previous reports of the Committee we have referred to resolutions adopted by various organizations in addition to the IBA, including the Municipal Finance Officers Association and the Municipal Law Section of the American Bar Association, pointing out the possible adverse effects of using municipal credit to finance construction of industrial plants to be leased to private industry.

On April 5, 1957, the Supreme Court of Nebraska in *State ex rel. Beck v. City of York* declared *unconstitutional* a Nebraska law adopted in 1953 authorizing municipalities to issue revenue bonds to finance the acquisition or construction of industrial buildings to be leased to private companies. The Supreme Court held that the law violated a provision of the state constitution which provides that the credit of the state shall never be given or loaned in aid of any individual, association or corporation.

VII

Intergovernmental Relations

In an address to the Governor's Conference in June, President Eisenhower proposed and the Governors adopted a resolution that there be established a Joint Federal-State Action Committee with three basic responsibilities:

"(1) to designate functions which the States are ready and willing to assume and finance that are now performed or financed wholly or in part by the Federal Government;

"(2) to recommend the Federal and State revenue adjustments required to enable the States to assume such functions; and

"(3) to identify functions and responsibilities likely to require State or Federal attention in the future and to recommend the level of State effort, or Federal effort, or both, that will be needed to assure effective action."

Pursuant to the resolution the Chairman of the Executive Committee of the Governors' Conference appointed the following Governors as Special Committee to serve on the Joint Committee.

Lane Dwinell, New Hampshire, Chairman.

Theodore R. McKeldin, Maryland.

Victor E. Anderson, Nebraska.

Robert E. Smiley, Idaho.

Price Daniel, Texas.

James P. Coleman, Mississippi.

Dennis J. Robert, Rhode Island.

George M. Leader, Pennsylvania.

George Docking, Kansas.

William G. Stratton, Illinois, *ex officio*.

President Eisenhower appointed the following Federal officials to constitute the Federal membership of the Joint Committee:

Secretary of the Treasury Anderson.

Secretary of Labor Mitchell.

Secretary of Health, Education and Welfare Folsom.

Director of the Bureau of the Budget Brundage.

Meyer Kestnbaum, Special Assistant to the President.

John S. Bragdon, Special Assistant to the President.

Howard Pyle, Deputy Assistant to the President for Intergovernmental Relations.

The following members of other Federal departments and agencies were designated to serve as consultants to the Committee:

Federal Civil Defense Administrator Leo A. Hoegh.

Assistant Attorney General Percy W. Morton.

Under Secretary of the Interior Hatfield Chilson.

Assistant Secretary of Agriculture Ervin L. Peterson.

Under Secretary of Commerce Walter Williams.

John H. Stambaugh, Special Consultant to the President, was designated to serve as Executive Director for the Federal participation in the work of the Committee.

Enclosed as Appendix D is a copy of the summary of a meeting of the Federal-State Action Committee in Chicago on Oct. 3 and 4.

VIII

Exemptions Under State Securities Acts

A Digest of Exemptions Under State Blue Sky Laws for (1) State and Municipal Securities and (2) Sales to Institutional Buyers was recently mailed to all IBA member firms, and additional copies are available on request from the IBA.

IX

Municipal Research

Under the IBA Statistical Research Program there is being kept a detailed record of all state and municipal bonds issued since July 1, 1956, about which information is available and the Statistical Bulletin is published quar-

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Phila. Inv. Assn. Elects New Officers

PHILADELPHIA, Pa.—Harry K. Hiestand of Reynolds & Co. was elected President of the Investment Association of Philadelphia at the annual meeting held at the Mask and Wig Club here. Mr. Hiestand succeeds John H. Remer, a partner of Drexel & Co., whose term expired.

Harry K. Hiestand

Other officers elected to serve for the ensuing year were: C. Wesley Welsh, II, of Robt. Glendinning & Co., Vice-President; Robert T. Arnold of The First Boston Corporation, Secretary; and Raymond H. Welsh of Kidder, Peabody & Co., Treasurer.

The following were elected to the Association's Executive Board to serve for one year: Mr. Hiestand and C. Wesley Welsh, II; Sidney Scott, Jr. of Smith, Barney & Co.; Rubin Hardy of The First Boston Corporation and F. Stanton Moyer of Kidder, Peabody & Co.

The annual meeting of the Association was followed by dinner and the annual Christmas Party.

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Report of IBA Municipal Securities Committee

terly (Issue No. 2 in January, 1957, discussed "The Size Characteristics of Municipal Bond Issues." Issue No. 3 in April, 1957, discussed "A Study of Municipal Bond Sales Postponed During the Last Nine Months"; Issue No. 4 in July, 1957, discussed "Seasonal Patterns in Municipal Bond Sales"; and Issue No. 5 in October, 1957, discussed "Some Characteristics of Revenue Bonds").

X

State Legislation and Court Decisions

Appendix E contains a summary of some state legislation adopted this year which is believed to be of interest to persons engaged in the municipal securities business and Appendix F contains summaries of some recent court decisions believed to be of interest to persons engaged in the municipal securities business.

Respectfully submitted,

MUNICIPAL SECURITIES COMMITTEE

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Denver

APPENDIX A

Report of Municipal Securities Committee 1957

Summary of Proposed Program for Federal Aid to Economically Depressed Areas.

S. 1433, H. R. 5500 and other identical bills embody the Administration's program "to assist areas to develop and maintain stable and diversified economies by a program of financial and technical assistance" in a proposed "Area Assistance Act of 1957." This program would authorize the Secretary of Labor to certify the existence of an area of substantial and persistent unemployment if he finds the unemployment rate in an area (A) is currently 8% or more, adjusted seasonally and (B) has been at least 8% for the major portion of each of the preceding two years. The Secretary of Commerce would be authorized to provide financial assistance for such areas by purchasing evidences of indebtedness and making loans with maturities not exceeding 25 years to aid in financing any project for the purchase or development of land and facilities for industrial usage, for the construction of new factory buildings, for rehabilitation of abandoned or unoccupied factory buildings, or for the alteration, conversion, or enlargement of any existing buildings for industrial use. No such assistance could be extended unless it is not otherwise available from private lenders or other Federal agencies on reasonable terms, and the assistance would be on such terms and conditions as the Secretary determines. The assistance on any project could not exceed 35% of the aggregate cost to the applicant and the total amount of loans and loan participations outstanding at any one time would be limited to $50,000,000.

Another bill, sponsored in the Senate by 19 Senators (S. 964), would authorize a much more liberal program "to alleviate conditions of substantial and persistent unemployment and underemployment in certain economically depressed areas" in a proposed "Area Development Act." The Administrator would be authorized to designate "industrial redevelopment areas" and "rural redevelopment areas" if he finds certain conditions to exist. The Administrator would be authorized to make *loans* with maturities up to 40 years (1) to assist in financing the purchase or development of land for industrial usage within the redevelopment area and the construction, rehabilitation, or alteration of industrial or commercial plants, or other manufacturing, commercial, or processing facilities, and the purchase of machinery or equipment and (2) to assist in financing the construction, expansion or improvement of public facilities. No such assistance could be provided unless the funds requested are not otherwise available on reasonable terms and no loan could be for an amount in excess of 75% of the aggregate cost of the project. The interest on such loans would be at a rate equal to the rate of interest paid by the Administrator on funds obtained from the Secretary of the Treasury, plus one-half of 1% (the rate of interest on funds obtained from the Secretary of the Treasury would be determined by the Secretary, taking into consideration the current average rate on outstanding marketable obligations of the U. S. as of the last day of the preceding month). The Administrator would also be authorized to make *grants* to any state political subdivision or private or public organization or association representing any redevelopment area for the construction, expansion or improvement of public facilities. The bill would authorize $100,000,000 for loans for projects within industrial redevelopment areas: $100,000,000 for loans for projects within rural redevelopment areas: $75,000,000 for loans for public facilities; and $50,000,000 for grants for public facilities.

A Subcommittee of the Senate Committee on Banking and Currency held hearings on these bills on March 6-14 and on April 8-15, but none of the bills have been reported by the Subcommittee at the present time.

APPENDIX B

Report of Municipal Securities Committee 1957

Liaison Subcommittee of Municipal Securities Committee

Walter W. Craigie, Chairman
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American Trust Company, San Francisco

Russell Ergood
Stroud & Company,
Philadelphia

John S. Linen
The Chase Manhattan Bank
New York

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Paul Youmans
Bosworth, Sullivan & Co.
Denver

Gordon L. Calvert
Investment Bankers Association of America, Washington, D. C.

Subcommittee for Liaison with American Bridge, Tunnel and Turnpike Association Municipal Securities Committee

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Smith, Barney & Co., New York

Wilbur M. Merritt
The First Boston Corp.
New York

William F. Morgan
Blyth & Co., New York

Frank E. Morse
Lehman Brothers, New York

Subcommittee on Metropolitan Area Problems Municipal Securities Committee

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The Chase Manhattan Bank
New York

Orlando S. Brewer
Phelps, Fenn & Co., New York

John S. Clark
Fahey, Clark & Co., Cleveland

Charles N. Fisher
Singer, Deane & Scribner
Pittsburgh

C. G. Fullerton
A. E. Ames & Co., Toronto, Can.

Francis R. Schanck, Jr.
Bacon, Whipple & Co., Chicago

Special Committee on Model Revenue Bond Law

Orlando S. Brewer, Chairman
Phelps, Fenn & Co., New York

Winthrop Curvin
Smith, Barney & Co., New York

William F. Morgan
Blyth & Co., New York

George Ragsdale
Lehman Brothers, New York

APPENDIX C

Report of Subcommittee on Metropolitan Area Problems (1957)

Probably no one subject in the field of local and state government rivals, in the attention and serious study it receives today, the question of Metropolitan Area Problems. Civic organizations, both national and sectional, as well as local commissions or groups and academic interests, are actively participating.

Those who have any proper understanding of the significance of these studies and the essential need to find constructive and acceptable solutions, are greatly heartened by the extent of this interest. The organizations and responsible groups actively sharing in these exploratory studies are numerous and impressive. Many are interested primarily in the problems that exist in their own local areas, for natural reasons. There are, however, a number of organizations that are highly competent, with experience in the theory and practical operations of local government, that have been giving attention to this subject as a problem of

national importance for several years past.

The question may reasonably be asked why we as investment bankers should concern ourselves regarding the form and administration of local government, when these better qualified organizations are giving good attention to the matter. While the form of governmental structure and co-operative efforts on the part of political and subdivisional units are necessary first steps, it soon becomes clear that equally important is the question of financing the undertakings proposed.

The financing problem can, in fact, be the most vexing and challenging of all the complex matters to be resolved. After securing agreement on the boundaries, the purposes to be served and the governmental processes, it is necessary to assure adequate tax and revenue sources, borrowing authority and capacity and sound engineering studies if a satisfactory basis for financing is to be established.

To gain the objectives just mentioned may involve major structural changes in government including state and local legislation and even constitutional changes. Such changes in turn will usually require extensive negotiations as well as a varying degree of education of the legislators and the voters if suitable authority is to be secured.

As is true usually in dealing effectively with area-wide problems, it is necessary for some units of government to sacrifice in part their autonomy by delegating authority to another governmental agency. When too many individual and independent agencies are involved, it makes progress towards the development of a long-range economic program most difficult and discouraging. Resistance is encountered from both officials of local governmental units and voters who are frequently inadequately informed or suspicious that any new program threatens a higher tax burden.

Because an acceptable financing structure and background is essential to the ultimate success of the whole program, it is desirable to recognize this in the early planning states. People qualified to advise in this specialized field should be consulted in an active manner. In many cases they might well be asked to serve as members of the planning or working committee. Members of the investment banking fraternity with their understanding of financial requirements, as well as investor demands and prejudices, and the conditions of financial markets, have unusual qualifications to render a valued public service if called upon.

There are a few organizations, however, that have been in the forefront in recognizing early the developing problems plaguing metropolitan areas which have been active in seeking constructive solutions on a national basis. While the names listed are by no means all inclusive, a few deserve special mention:

ACTION (American Committee to Improve our Neighborhoods)

Government Affairs Foundation

Institute of Public Administration

National Municipal League

National Planning Association

Fortunately these non-profit organizations have in many cases had the useful financial support of public-spirited foundations whose generous grants have made possible substantial progress in better understanding the problems involved. The research studies and practical knowledge of these organizations has aided greatly in advancing the work and accomplishments of local groups with which they have co-operated. The foundations that have been most conspicuous in assisting in this field include the Ford Foundation, the Rockefeller Brothers Fund, and The Edgar Stern Family Fund.

It should be noted also that important research studies in regard to metropolitan area problems are being conducted by various universities under the direction of faculty members who have recognized the significance of these growing problems. One can better understand the need for research and why the solutions are difficult when it is realized that the questions involved include water supply, water and air pollution, transportation systems and facilities and related traffic problems, land use, sewage and waste disposal, slum clearance and housing, parking facilities, parks, playgrounds and recreational facilities, health standards, fire protection, crime and civil defense. These are not all of the subjects requiring attention, but they are sufficient to present a real challenge to those interested in improving municipal government.

Brief comments on a few metropolitan areas are included below. These do not cover all situations that might be properly mentioned, but they are illustrative of the progress that is being made in various sections of the United States and Canada.

Seattle Metropolitan Area

The Metropolitan Council Act was adopted in the State of Washington in 1957 "to enable cities and counties to act jointly to meet common problems in order that the proper growth and development of the metropolitan areas of the state may be assured and the health and welfare of the people residing therein may be secured." This Act authorizes the creation of metropolitan municipal corporations which may be authorized, in the manner provided in the Act, to perform functions of metropolitan sewage disposal, water supply, public transportation, garbage disposal, parks and parkways and comprehensive planning. All functions of local government which are not authorized to be performed by a metropolitan corporation as provided in the Act shall continue to be performed by the counties, cities and special districts within the metropolitan area. The legislative body of a metropolitan corporation would be a "metropolitan council," which would be composed of representatives from cities and counties in the metropolitan area. The people of a metropolitan area would determine for themselves which of the permissible metropolitan functions would be performed by the metropolitan corporation for their area. A metropolitan corporation would perform only the metropolitan phases of the particular function involved, while local cities, towns and districts would continue to construct and operate their own local facilities.

A metropolitan corporation would be authorized to issue revenue bonds or general obligation bonds to provide funds to carry out its authorized purposes, but general obligation bonds may be issued and taxes may be levied by a metropolitan council only if the voters of the metropolitan area have approved such bonds or levies at an election held thereon. Non-revenue producing functions, such as planning, would be financed by pro-rata payments from the cities and counties in the metropolitan area. Local facilities would continue to be financed on a local basis.

In 1956 a Metropolitan Problems Advisory Committee was appointed by the Mayor of Seattle and the Board of King County commissioners. This Commitee in a report on Aug. 8, 1957, recommended that a metropolitan municipal corporation be formed under the Metropolitan Council Act for the Seattle metropolitan area with power to perform initially the functions of metropolitan sewage disposal, transportation and comprehensive planning. The Committee recommended that the necessary resolutions be adopted calling for an election on the formation of such as metropolitan corporation at the general election on March 11, 1958.

Toronto Metropolitan Area

The Municipality of Metropolitan Toronto Act of 1953 provided for federation of the City of Toronto and the following 12 suburban municipalities:

Township of East York
Township of Etobicoke
Village of Forest Hill
Town of Leaside
Village of Long Branch
Town of Mimico
Town of New Toronto
Township of North York
Township of Scarborough
Village of Swansea
Town of Weston
Township of York

These municipalities are all within an area of 240 square miles and have a population of approximately 1,500,000 (compared with a population of about 981,000 in 1946). The two basic elements of the Toronto federation plan are (1) the establishment of the Municipality of Metropolitan Toronto as an area-wide unit of government to perform functions that are metropolitan in nature and essential to the whole area and (2) the continued separate existence of the City of Toronto and the 12 suburban municipalities, all of which undertake functions not assigned to the metropolitan unit.

The authority of the Municipality of Metropolitan Toronto, whose powers are specifically enumerated in the legislative act, relate to water supply, sewage disposal, arterial highways, certain health and welfare services, housing and redevelopment, metropolitan parks and over-all planning (also to provide and manage a Courthouse and jail, to aid in financing education, to determine funds to be allotted for school sites and construction, to review bond proposals of member municipalities and issue such bonds, and to set a uniform assessment rate to serve as the basis of taxation for both metropolitan and local purposes). Many important functions are reserved to the local municipalities in the federation.

The taxing powers of the Metropolitan Council are limited to levies against the area municipalities and apportioned among the area municipalities in the proportion that the whole taxable property in each area municipality bears to the whole taxable property in the metropolitan area, according to the last revised assessment rolls. This taxing power required a uniform assessment throughout the area and the Act set up a single assessment department for the metropolitan area.

All debenture borrowing by municipalities in the metropolitan area is done by the metropolitan corporation. The separate municipalities within the metropolitan

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area no longer issue their own debentures. Even where money is borrowed exclusively for the purposes of a single municipality within the area, the debentures issued are obligations of the metropolitan corporation and all the area municipalities, although the whole of the taxes imposed for payment of the loan may have been levied only against the municipality for whom the money was borrowed.

The direct debt of the metropolitan corporation raised from the market since 1954 totals $260,000,000. A 10-year capital program involving $750,000,000 was planned to provide the area with services it needed, and in 1956 the program was revised to include an additional reserve list of works of $250,000,000 to be undertaken as circumstances and conditions permit.

New York Metropolitan Area

In September of this year a conference to discuss metropolitan area problems was sponsored by the Governors of New York, Connecticut, Massachusetts, New Jersey, Pennsylvania and the Mayor of New York City. The Governor of Rhode Island was there as a guest and about 60 people participated in the three day meeting. Such a meeting lends emphasis to the serious attention which is today being accorded this general topic. The conference was judged to be of great value and the plan is to meet again from time to time to discuss common and overlapping problems. At later meetings the Governors of Delaware and Maryland will be invited to attend.

The most pressing problem in the New York City area is the question of mass transit. It was recognized that government must be prepared to meet the need for mass transportation service where private enterprise cannot do so. This situation is gradually becoming more acute as practically all of the commuting railroads claim to be losing money on the commuting service provided. The increased use of the private automobile and inter-city bus service with greatly improved facilities available for their use has created some of the problems of the commuting railroads, but with the growth confidently predicted for the suburban areas in the next decade, all of these facilities will be unable to handle acceptably the mass transit load.

An excellent survey study of this whole subject has been made by the Metropolitan Rapid Transit Commission under the able direction of Arthur W. Page. It is shocking to realize, however, that to deal acceptably with the traffic flow anticipated from New Jersey alone, the cost is estimated at close to $350 million with the overall cost of the loop project and incidental items at $400 million. This does not contemplate any relief in the way of additional facilities for Nassau and Westchester Counties which with any forward planning must also be included.

As a part of the survey study an excellent report was prepared by William Miller, Government Consultant of Princeton, N. J., on the financing of this proposal. With the change that has occurred in market rates and the investor prejudice on transit securities, it is difficult to see how this financing can be done at any acceptable rate on a revenue basis. The study assumes that in providing for the cost of operation and debt service there will be an annual deficit of $12 million. It is proposed that this be apportioned among the benefiting municipalities including New York City and the communities in 12 neighboring counties, 10 of which would be in New Jersey and Orange and Rockland Counties on the other side of the Hudson in New York State. This would be in the nature of a general obligation on these respective communities. The difficulties of working out agreements with all of the municipal bodies concerned might conceivably be a monumental task. Investment bankers can get plenty of mental exercise by figuring out the best possible plan for financing these vitally needed improved facilities.

No attempt will be made to deal with all of the other problems that plague New York as is true of other metropolitan areas. Involved, obviously, are water supply and water and air pollution, sewage disposal, traffic and parking problems, parks, playgrounds, recreational facilities, housing, etc. Much could be said on every one of these individual subjects.

New York City has been most fortunate in having several privately supported organizations that have been aware of these problems and have been contributing helpfully in dealing with them. The Regional Plan Association has been serving the area in this matter since 1929. Recently there is promise of better cooperation between the neighboring states than was true previously. Through this organization an extensive study is being prepared under the title of "New York Metropolitan Regional Study." This is being financed by the Rockefeller Brothers Fund. The Institute of Public Administration has been most helpful. The Citizens Budget Commission, the National Municipal League and the Citizens Union have also made useful contributions in this field.

Cleveland Metropolitan Area

Cuyahoga County, Ohio, in which Cleveland is the major city, has a population presently estimated at 1,600,000. Though its area is a modest 458 square miles, governmental and taxing functions are exercised and overlapped by the County, a Metropolitan Park District, 21 cities, 37 villages, 32 school districts, three townships, and various library boards.

Much progress has been made toward solving major metropolitan area problems in Greater Cleveland and Ohio during the last year.

Two years ago, the Cleveland Metropolitan Services Commission was established. It is a privately-financed citizens research agency engaged in a thorough analysis of governmental problems in Greater Cleveland. Its first reports are due out before the end of 1957 and its timetable calls for completion of its research work by the end of 1958.

The last session of the Ohio General Assembly placed on the ballot for this fall a constitutional amendment revising the county charter provisions of the constitution. The amendment is designed to facilitate the adoption of county charters and the transfer of metropolitan functions to the county. It was adopted by the voters at the recent election.

The General Assembly placed on the ballot for the fall election of 1958 a constitutional amendment that would authorize a group of cities to form a "federation" to perform common services.

In Greater Cleveland, the voters of Cuyahoga County approved the transfer of Cleveland City Hospital to the County. The transfer was based on the theory that City Hospital is really a metropolitan institution and should be managed and supported by the voters and taxpayers of the entire county.

Chicago Metropolitan Area

The Greater Chicago area illustrates impressively the complexities in our larger metropolitan centers. There are over 900 tax-paying subdivisions in the metropolitan area. The limits in some cases are poorly defined, as are their duties, and responsibilities. To add to the confusion, there are also several authorities, such as the Transit and Port Authorities. The conflicting duties and ambitions produce a great need for comprehensive planning and efficient administration.

It is encouraging to know that in spite of the overwhelming number of conflicting interests and problems to be dealt with, progress is being made by a competent planning commission and that good coordination with various agencies is in evidence. Popular understanding and voter and political support will be necessary if constructive accomplishments are to be realized. In addition to the Chicago Transit Authority and the Chicago Port Authority, other agencies which should be mentioned are the Chicago Regional Planning Association, the Metropolitan Transportation Planning Commission and Northeastern Illinois Metropolitan Planning Commission.

Washington, D. C. Metropolitan Area

House Concurrent Resolution 172, adopted by Congress this year, established a joint Congressional committee to examine, investigate and make a complete study of any and all matters pertaining to (a) the problems created by the growth and expansion of the District of Columbia and its metropolitan area, (b) how and with what degree of success such problems are handled and resolved by the various agencies and instrumentalities of the government which are charged with the duty of resolving such problems, and (c) how the resolution of such problems is affecting the affairs of the District of Columbia. The joint committee shall report its findings, together with its recommendations for such legislation as it deems advisable, to the Senate and the House of Representatives at the earliest practicable date, but not later than Jan. 31, 1959.

A new organization, known as the Washington Metropolitan Regional Conference, composed of local governing officials has been organized for the purpose of seeking agreement among governing bodies in the Washington Metropolitan Area on ways they can work together to solve mutual problems. The Conference has no authority but must rely on the cooperative actions of the local governing bodies participating in the Conference. At a recent meeting in November the Conference approved recommendations (1) to seek area-wide agreement on standard taxicab fares in cases where passengers are carried from one area jurisdiction to another, (2) that Montgomery County (Maryland) and Fairfax County (Virginia) regulate new development in such a manner that no sewage effluent will be dumped into the Potomac River in the 30 mile stretch which is the source of water supply for some of the area and (3) to authorize studies in the health and welfare fields, including the possibility of an area-wide hospital plan.

Pittsburgh-Allegheny County Metropolitan Area

Creation of "The Metropolitan Study Commission of Allegheny County" was authorized in a bill passed by the Pennsylvania Legislature in 1951. The Commission of 14 members obtained a grant of funds from the Buhl Foundation and arrangements were made to have the Pennsylvania Economy League, Inc., Western Division, act as the Commission's research staff. The Commission's approach involved a comprehensive study of the various governmental operations throughout Allegheny County with the aim of determining (1) those functions which can be satisfactorily administered by existing governmental units and which need no change in assignment, (2) those functions where the responsible governmental units because of size or the nature of

their requirements cannot adequately provide the complete services required in the area and which, therefore, can be better carried out through cooperative efforts with other municipalities or merger and (3) those functions which are County-wide in nature and should be administered on a County-wide basis.

As a result of its study, the Commission in a detailed report released in 1955 concluded that many of the existing governmental problems could be effectively approached if the existing County Government was molded into a form capable of performing necessary area-wide services. This, the Commission felt, could be done without eliminating the individual local municipal governments of the County if the County could obtain a larger degree of home rule. A constitutional amendment granting the County authority to institute an urban home rule charter was therefore recommended by the Commission.

The reconstituted County Government envisioned by the Commission would have basic authority over public health, libraries, county highways, regulation of traffic, disposal of refuse, purchasing, planning, regulation of plumbing practices, roadside zoning, air pollution, property assessment and tax collection. In addition, it would have regulatory authority over local subdivision regulation, building practices and sewage collection and disposal as well as discretionary authority to establish at a future date an integrated water supply and distribution system. The administrative activities of the reorganized County Government would be assigned to a chief executive or administrative officer and the legislative activities would be concentrated in a separate body elected for that purpose which should be sufficient in number to represent adequately the people of the County.

While the necessary constitutional amendment has not been adopted some of the functional transfers recommended have been effected and others are in the offing.

Recognition must also be given to the work of the "Allegheny Conference on Community Development" in metropolitan area planning and action in the Pittsburgh-Allegheny County metropolitan area. Established in 1943 and chartered by the State in 1944, the Conference is a non-profit, privately-financed citizens' organization concerned with research, planning and action. The Conference has no authority to legislate. Created as the over-all civic organization for Pittsburgh and Allegheny County to marshall the community's full energies and resources on a non-partisan basis, the Conference plans, stimulates and coordinates the development of a comprehensive unified plan and program for the region as a whole and provides civic leadership to carry it forward. One of its major objectives is to secure and obtain broad public support and community action for the plans and recommendations it proposes. Public information media in the Pittsburgh area—newspapers, radio and television stations—have kept the public fully informed and have given vital support to the program.

In broad terms, the Community Improvement Development Program spearheaded by the Allegheny Conference on Community Development covers the major elements of cleaner air, clean rivers and streams, conservation of resources, flood prevention, highway improvements, point redevelopment, urban redevelopment and renewal, increased educational resources, more and better housing, greater recreational opportunities, ample parking facilities, improved mass transportation, adequate airports, economic growth and expansion, expanded health and welfare facilities, agricultural development and enriched cultural opportunities.

The operating budget of the Conference is provided through the Pittsburgh Civic-Business Council, which is the central fund-raising and coordinating agency for the Better Business Bureau, the Chamber of Commerce of Pittsburgh, the Pittsburgh Convention Bureau and the Allegheny Conference. This Council raises annually through solicitations from the Pittsburgh business community approximately $450,000, of which the Conference budget is about one-fourth. The Conference also receives grants for specific planning studies and projects from individuals, foundations and trusts, corporate interests and other sources.

Respectfully submitted,

SUBCOMMITTEE ON METROPOLITAN AREA PROBLEMS

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Lyle F. Wilson
Pacific Northwest Co. Seattle

APPENDIX D

Summary of Chicago Meeting of the Joint Federal-State Action Committee Oct. 3-4, 1957

The Joint Federal-State Action Committee met in Chicago, Oct. 3 and 4, 1957, and transacted the following business:

(1) The Committee agreed that (a) the States should assume full responsibility for the older vocational education programs, and (b) the Federal Government should abandon its present grants for this program, currently amounting to $37 million. In stressing the importance of this program, the Governors made the point that its effectiveness would not be impaired in the shift. It was agreed to work out the details of the shift to full State responsibility in an orderly and practicable manner.

The Committee directed the staffs to re-examine the feasibility of turning over to State auspices the full financial responsibility for the newer vocational education programs in the fields of practical nursing and the fisheries trade and industry, and to prepare reports thereon for the next meeting of the Committee.

(2) The Committee agreed that the financing of municipal waste treatment plants is a State-local responsibility and that Federal grants for the construction of such plants should cease. State action to assist localities by loans, grants, tax and bonding liberalization, was agreed upon, depending upon the nature of the financial requirements in the various States. The withdrawal of Federal financial support was premised on the development of a practicable plan to effect the transition.

(3) The Committee agreed to a clarification and definition of Federal-State-local financial responsibility for the repair and restoration of public facilities damaged by natural disasters: this to be accomplished by a schedule of minimum amounts of funds to be spent or authorized by State-local sources before Federal aid would be authorized. The Committee requested the staffs to revise the suggested schedules presented at the meeting and to come up with another proposed schedule for consideration at the next meeting of the Committee.

(4) The Committee did not agree on the proposal as submitted by the staffs to shift the full financial responsibility for the school lunch and milk programs to the States. Due to a number of complexities involved in such a transfer, the staffs were directed to re-examine this proposal and to prepare another proposal for later consideration by the Committee.

(5) The Committee did not agree to the proposal as submitted by the staffs to increase to 50% the State share of the costs of supplementary old age assistance to OASI beneficiaries and to reduce the Federal share from 80% to 50% (on the first $30). The staffs were directed to re-examine this problem in wider scope and to prepare new proposals for consideration by the Committee.

(6) The Committee agreed to request the President to propose to Congress that 40% of the present Federal local telephone tax be credited against the payment of State taxes on local telephone service, thereby providing the States with additional tax sources to finance the responsibilities agreed to above, if they wish to take advantage of the credit provision. Full use of this authority would provide $150 million to the States.

Under the proposal as accepted, the tax credit would continue for five years, after which time the present Federal tax would be reduced 40%, leaving it to the States to continue or abandon the telephone taxes imposed by them under the tax credit arrangement. This tax credit proposal was advanced as a means of offering the State tax revenues in reasonable relation to the added costs they would assume under the agreements set forth in Paragraphs 1, 2, and 3. Subsequent agreement to additional financial responsibilities by the States would call for possible increases in the tax credit proposal.

(7) Speaking for the Federal group, the Secretary of the Treasury indicated a willingness to propose to the President that he request Congress to relinquish a number of miscellaneous excises in return for State-local assumption of additional program responsibilities from the Federal Government. It was generally agreed that these taxes were especially suited for local absorption.

(8) The Committee agreed to establish a technical committee of the staffs to study the feasibility of changing and increasing the tax credit in the Federal estate tax in order that the States might obtain larger tax revenues to support additional responsibilities that they might assume. The technical committee was also directed to study a possible reduction in the Federal tobacco tax as a means of adding to State tax revenues in order to finance additional functions that the States might take over from the Federal Government in the future.

(9) The Committee had before it staff papers on a number of emerging problems. In discussing the procedure for considering these problems, it was generally agreed these emerging areas would be an important, continuing interest of the Committee. It was felt that these were areas where considered action by the States and the Federal Government could minimize the need for Federal intervention, as well as afford an opportunity for identifying the relative responsibilities of the various levels of Government.

The Committee gave attention to two of the emerging areas, namely, (1) the field of low-rent housing and urban renewal, and (2) the peacetime uses of atomic energy. The joint staffs were directed to prepare position papers dealing with increased State participation in the administration and financing of public housing and urban renewal. They were also directed to prepare a position paper suggesting means of resolving areas of conflict between the States and the Federal Government in the expansion of the use of atomic energy.

(10) The staffs submitted a tentative outline of an initial report. The Committee agreed to file comments on this outline by Oct. 15, and instructed the staffs to write a draft of the initial report in the light of the comments received.

(11) On behalf of Governor Daniel, there were submitted a

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proposed position on aid to education and a proposed resolution stating the general position of the Committee on Federal-State governmental relations. These were offered for consideration by the Committee at an appropriate time.

(12) The above items concluded the work of the meeting. The next meeting was set tentatively for Nov. 14 and 15, to be held in Washington, D. C.

APPENDIX E

State Legislation

This appendix contains summaries of some state legislation adopted in 1957 which is believed to be of interest to persons engaged in the municipal securities business.

CALIFORNIA

Senate Bill 153, providing the State School Building Aid Bond Law of 1957, authorizes the sale of $100,000,000 of state bonds for school building aid as approved by the voters in the November, 1956, general election.

Senate Bill 728 permits the financing of school building by lease-purchase, requires a two-thirds favorable vote of the district electors, and provides that 60% of the unpaid lease rentals shall be considered as bonded debt for debt limit purposes.

Senate Bill 988, providing the San Francisco Port Bond Law of 1958, authorizes the issuance of $50,000,000 of State of California bonds for port purposes, subject to a referendum to be held in November, 1958.

Senate Bill 1337, providing the Street and Road Bond Act of 1957, permits counties and cities to sell bonds, not to exceed ten years in maturity, in anticipation of and secured by a portion of the highway users' taxes due from the state. Bonds are limited to an amount that may be serviced by not more than 25% of the estimated taxes that are due to be paid by the county or city and are not otherwise encumbered.

Senate Bill 2174, providing "State Financial Assistance for Local Projects," authorizes the state to lend financial assistance to any local district, city, county, etc. for water development purposes if the local program is in accordance with the California Water Plan and if the District Securities Commission certifies that financing is not otherwise available. The law provides for legislative approval of each proposed qualifying project.

Assembly Bill 917 amends the Education Code, the Water Code, the Health and Safety Code and the Los Angeles County Flood Control Act to permit (1) the issuance of bonds signed by lithographed signatures only (without a requirement that any of the signatures be manually subscribed) and (2) issuance of bonds in denominations of $5,000.

FLORIDA

Chapter 57-763, Laws of Florida, Acts of 1957, provides that any bonds heretofore or hereafter authorized to be issued by any unit under the provisions of any general, special or local law and any interest coupons attached thereto may, if so authorized by the governing body of such unit, bear or be executed with the facsimile signature of any official authorized by such law to sign or to execute such bonds or coupons; provided, that each such bond shall be manually signed by at least one official of such unit. It is also provided that in case any such law shall provide for the sealing of any such bonds with the official or corporate seal of such unit or of its governing body or any official thereof, a facsimile of such seal may be imprinted on the bonds if so authorized by the governing body of such unit, and it shall not be necessary in such cases to impress such seal physically upon such bonds.

MASSACHUSETTS

Chapter 728 of Massachusetts Acts of 1957 provides that users of the Massachusetts Turnpike can apply for a refund of the 5½-cent-per-gallon state gasoline tax based on usage of the Turnpike (this refund assumes gas consumption of from one gallon every five miles for heavy trucks to one gallon every 15 miles for passenger cars).

MISSOURI

House Bill 361 adopted at the general session of the Missouri Legislature, repealed Section 95.155 of the Missouri Statutes and enacted a new Section 95.155 which includes the following provisions relating to the execution of bonds issued by cities, towns and villages (authorizing the use of facsimile signatures in the execution of such bonds in certain cases).

"All such bonds shall be signed by the mayor of the city, or chairman of the board of trustees of the town or village, as the case may be, attested by the signature of the clerk, and each bond shall have impressed thereon, the corporate seal of the municipality. In the event that the charter under which a municipality may be operating makes no provision for the office of mayor, such bonds shall be signed by the presiding officer of the governing body of such municipality. In the event that the charter under which a municipality may be operating makes no provision for the office of clerk, such bonds shall be attested by the officer designated by the charter as the custodian of the seal of the municipality. Provided, however, that whenever one thousand or more bonds are to be executed as of the same date, the ordinance pursuant to which such bonds are issued may direct that such bonds be executed by the facsimile signature of the mayer, if there be a mayor, or by the facsimile signature of the presiding officer of the governing body of the municipality, if there be no mayor."

House Bill No. 1 adopted by the first extraordinary session of the Missouri Legislature amends Section 4 of an act authorizing the issuance and sale of $75,000,000 of state building bonds by striking out a provision "that no bond issue issued under this act shall be sold at public or private sale at less than its face value and accrued interest from date of issue to date of delivery." Since the Missouri Constitution prohibits the sale of state bonds at a coupon rate in excess of 3%, it was impossible earlier this year to sell Missouri state bonds under the provision previously in effect, that bonds issued under the authorizing act could not be sold at less than their face value. The amendment permits the sale of bonds under the authorizing act at less than a par price.

NEW JERSEY

Senate Concurrent Resolution No. 2, effective Jan. 25, 1957, created a Commission to study legislation designed to enable school districts to finance school projects at improved interest rates. Chapters 10, 11 and 12 permit the reservation of a privilege of redemption at a scale of prices exceeding par in bonds of school districts, municipalities and counties, subject to approval of the redemption premium scales by the State Division of Local Government.

Chapter 231 of the Laws of 1956, effective Feb. 21, 1957, provided for the creation of a County and Municipal Law Revision Commission. This Commission is charged with the duty of reviewing Title 40, Municipalities and Counties, of the Revised Statutes of 1937 in the light of the statutes subsequently enacted and of reporting to the Legislature the text of recommended revision to the end that "conflicting and overlapping provisions shall be reconciled and confusing and redundant expressions therein may be excised therefrom and that said statutes shall be made as uniform as possible with respect to matters of basic policy and statutory provisions."

Chapter 183, to be known as the "Municipal Utilities Authorities Law" permits the creation by one or more municipalities of revenue-supported authorities constituted with powers to engage in the construction, financing and operation of works for supply of water and disposal of sewage.

Chapter 130, effective Aug. 15, 1957, granted to municipalities and counties an emergency exception to the regular statutory debt limits. Upon finding by the State Local Government Board that an improvement is in the public interest and that the amount to be expended therefor is not unreasonable or exorbitant and that the financing thereof will not materially impair the credit of the municipality or county or reduce its abilities to pay its debts, bonds or notes for the financing of such improvement may be authorized notwithstanding the standard 7% of 4% debt limit. The Local Government Board, together with the Commissioner of Education, has administered a similar program since 1946 for meeting urgent requirements of school districts.

NEW YORK

The Legislature approved the authorization, subject to approval at the general election in November, of $250,000,000 of bonds for the construction of facilities for New York State University. The authorization was approved at the election in November.

A bill to establish a New York State School Financing Authority, recommended by the Governor's Committee on the Marketing of School Bonds, was not adopted. The Municipal Securities Committee of the IBA New York Group, without taking a position on the fundamental proposition of the establishment of such an authority, submitted a detailed memorandum recommending that numerous changes be made in the bill if it were adopted.

A bill in the Legislature proposing a constitutional amendment to provide for the issuance of $500,000,000 New York City School Bonds in excess of the normal debt limit, was defeated.

TEXAS

Senate Bill 131 contains the following requirements regarding publication of annual financial statements of certain municipalities:

"The governing body of each school district, junior college district, road district, soil conservation district, water improvement district, water control and improvement district, fresh water supply district, drainage district, navigation district, river authority, conservation and reclamation district, or any other kind of district organized under Section 52 of Article III or Section 59 of Article XVI of the Constitution of Texas, shall cause to be prepared an annual financial statement showing the total receipts of each fund subject to its orders during the fiscal year, itemized according to source, such as taxes, assessments, service charges, grant of state money, gifts, or any other general source from which such funds are derived; showing total disbursements of such funds, itemized according to the nature of the expenditure; and showing the balance on hand in each fund at the close of the fiscal year. The presiding officer of such governing body shall submit such financial statements to some newspaper in each county in which the district or any part thereof is located, and the publication shall be made within two months after the close of the fiscal year."

House Bill 221 authorizes "eligible" cities to contract with the Trinity River Authority of Texas for the transportation and disposal of sewerage. "Eligible" cities are defined as those situated wholly or partly within the boundaries of the Authority. "Payments by such City to the Authority shall be made from the City's waterworks system or its sanitary sewer system or of both systems or of its combined water and sanitary sewer system, as prescribed in the contract between such City and the Authority, and shall constitute an operating expense of the system or systems whose revenues are thus pledged."

House Bill 386 authorizes any city to acquire, improve, extend and operate street transportation systems and to issue revenue bonds therefor upon ordinance of the governing body after publication of notice of intention. A right of referendum is provided upon petition of 10% of the qualified voters. The effective rate of interest on revenue bonds shall not exceed 6%; the bonds are to be secured by net system revenues and may be additionally secured by a mortgage on the system with a 25-year franchise in event of default.

H.J.R. 3 proposed a constitutional amendment creating a Texas Water Development Board and authorizing issuance of $200,000,000 of Texas Water Development Bonds. The proposed constitutional amendment was adopted at the election on Nov. 5, 1957. Some of the principal provisions added to Article III of the Constitution of Texas by a new Section 49-C are the following:

(1) "The Texas Water Development Board shall have the authority to provide for, issue and sell general obligation bonds of the State of Texas in an amount not to exceed One Hundred Million Dollars ($100,000,000). The Legislature of Texas, upon two-thirds (⅔) vote of the elected members of each House, may authorize the Board to issue additional bonds in an amount not exceeding One Hundred Million Dollars ($100,000,000). The bonds authorized herein or permitted to be authorized by the Legislature shall be called 'Texas Water Development Bonds'."

(2) "All moneys received from the sale of State bonds shall be deposited in a fund hereby created in the State Treasury to be known as the Texas Water Development Fund to be administered (without further appropriation) by the Texas Water Development Board in such manner as prescribed by law."

(3) "Such fund shall be used only for the purpose of aiding or making funds available under such terms and conditions as the Legislature may prescribe, to the various political subdivisions or bodies politic and corporate of the State of Texas including river authorities, conservation and reclamation districts and districts created or organized or authorized to be created or organized under Article XVI, Section 59 or Article III, Section 52, of this Constitution, interstate compact commissions to which the State of Texas is a party and municipal corporations, in the conservation and development of the water resources of this State, including the control, storing and preservation of its storm and flood waters and the waters of its rivers and streams, for all useful and lawful purposes by the acquisition, improvement, extension, or construction of dams, reservoirs and other water storage projects, including any system necessary for the transportation of water from storage to points of treatment and/or distribution, including facilities for transporting water therefrom to wholesale purchasers, or for any one or more of such purposes or methods."

House Bill 161 contained enabling legislation for the creation of the Texas Water Development Board, to become effective and operate only if H.J.R. 3 (referred to above) was adopted as an amendment to the Constitution.

APPENDIX F

Court Decisions

This appendix contains summaries of some recent court decisions which are believed to be of interest to persons engaged in the municipal securities business.

COLORADO

In *City of Trinidad* v. *Haxby* taxpayers sought to enjoin the issuance of bonds by the City of Trinidad for the construction of a hospital and related facilities. Under the ordinance adopted by the city authorizing the issuance of the bonds, the City Council covenanted to transfer to the Hospital Bond and Interest Fund all of the revenue of the hospital (after reasonable expenses of maintenance and operation) and such part of its cigarette taxes, parking meter fees and unpledged revenues of its electric light and power system as will be sufficient promptly to pay the interest on and principal of the bonds as they become due and payable. The ordinance further provided that all costs and expenses incurred in connection with the operation and maintenance of the hospital and the issuance of the bonds shall be paid exclusively from the revenues therein specified and that in no event shall any such costs or expenses be paid out of or to the general funds or tax levies of the city, either directly or indirectly.

The taxpayers claimed that the proposed bond issue created a "debt" of the city within the meaning of a state constitutional provision prohibiting municipal debts in excess of 3% of the assessed valuation of property within the city.

The Supreme Court of Colorado on Sept. 3, 1957, *affirmed* a judgment for the plaintiffs, enjoining the issuance of the bonds on the ground that issuance of the bonds would create a "debt of the city" within the meaning of the constitutional debt limit. The Court stated:

"In the instant case an attempt is made to impound city revenues which are now available to defray general operating expenses of the city, and to place those revenues in a special fund for the payment of bonds issued for the purpose of building a hospital. The hospital project is wholly disconnected from and unrelated to the activity which produces the revenue thus impounded. Revenue obtained from cigarette taxes, parking meters and the operation of a power and light facility cannot possibly be considered as a product or by-product of the operation of a hospital.

"Limited solely to the point under discussion, and absent any question of power to build the proposed hospital, if the bonds in question were payable exclusively out of net revenues to be derived from the operation of the hospital, then the 'special fund' doctrine contended for by Trinidad would be applicable."

"In substance, the argument of Trinidad is that any and all municipal revenue derived from any source other than ad valorem taxes on property can be pledged for the payment of specific obligations contracted by the city, and that said obligations thus secured by first liens on specific revenues do not create "debts" within the meaning of the constitutional prohibition. It does not require the wisdom of Solomon to point out that if the provision be so construed it would be possible to pledge all revenue other than property taxes to financing 'projects and facilities' which may, or may not, be demanded by the inhabitants of a city and that the property taxes would then be called upon to carry the full burden of general fund obligations. Such taxes, already burdensome, would soon become confiscatory.

"If, however, the 'project or facility' to be created produces all the revenue to be used in discharging the bonds issued to create the project, without recourse on the part of the bond holder to other revenues of the city, then the 'special fund' doctrine is applicable. Under such circumstances the obligations evidenced by the 'revenue bonds' are outside the constitutional limitation, and do not constitute a 'debt' within the meaning thereof."

In *Deti et al.* v. *City of Durango* the plaintiffs sought to have an ordinance of the city declared unconstitutional and void and to obtain an injunction prohibiting enforcement of the ordinance which provided for rental payments by the city for a community building. In December, 1955, a nonprofit Colorado corporation was formed as the "Durango, Colorado, Community Building Association" which was to be an instrumentality of the City of Durango to acquire land and erect thereon and equip a public community building. In February, 1956, the City Council of Durango adopted an ordinance which provided for the leasing of the Community Building by the city under a rental of $27,000 for the first year and $27,500 for each year thereafter for 31 years, the rental money to be derived from charges made for the use of the building after operating costs, the net revenues of the city water system, the proceeds of the city cigarette tax, and from its parking meters, all of which revenues were irrevocably pledged for the rental payments. The city was further obligated to pay the rental "if necessary, from the general funds of the city or the proceeds of taxes to be levied by the city." The city had the privilege of terminating the lease agreement by paying whatever amount might be necessary to redeem all of the outstanding bonds issued by the corporation to finance construction of the building. In May, 1956, the ordinance was approved at an election, but the election was not limited to electors who had paid a property tax within the preceding year.

The Supreme Court of Colorado on Oct. 10, 1957, concluded that the ordinance was unconstitutional and void. The Court stated that the obligations of the city under the ordinance were *debts* of the city within the sense of the Constitution of Colorado, and that the obligations to which the city was pledged extended beyond the limit fixed by the Constitution. The Court also stated:

"There is no reason to discuss the claimed application of the 'special fund' doctrine in this case, because it is so manifest that the city is irrevocably obligated to use, if necessary for the payment of the rental, the revenues from the water system, cigarette tax, parking meters, and if not then sufficient, to reach into the city's general funds."

MICHIGAN

On June 28, 1957, the Supreme Court of Michigan in a test case upheld the validity of Section 27 of Article X of the Michigan Constitution, which was approved at the election on April 4, 1955. In general, this amendment to the Constitution (1) authorized the State to issue up to a maximum of $100,000,000 principal amount of general obligation bonds, if necessary, to provide funds from which loans could be made to school districts for the purpose of paying bonded indebtedness; (2) required State loans to be made to any school district issuing bonds with maturities of 25 years or more issued prior to July 1, 1962, where the tax levy for any year for the payment of such bonds exceeds 13 mills on the assessed valuation, as equalized, of the school district; and (3) made the tax limitation prescribed in Section 21, Article X of the Michigan Constitution non-applicable to tax levies for any future issues of school district bonds issued prior to July 1, 1962, and maturing in not less than 25 years from date of issuance and permitted school districts to issue bonds with maturities of 25 years or more. Although many issues of Michigan school bonds were sold during the intervening period, questions were raised this year by municipal bond counsel as to the validity of the adoption of the constitutional amendment. The Supreme Court of Michigan sustained the validity of the constitutional amendment after disposing of the three questions that were raised (i.e., was the amendment invalid on the ground that (a) the form of the questions submitted to the electors was changed by the Secretary of State from the form as set forth in the joint resolution authorizing the submission of the amendment to the electors, (b) it covered more than one purpose or subject and was submitted to the electors as a single question on one ballot, or (c) another Section of the Constitution (Section 21, Article X) was altered or abrogated thereby and was not published in full prior to the election along with the provisions of the new Section).

NEBRASKA

On April 5, 1957, the Supreme Court of Nebraska in *State ex rel. Beck* v. *City of New York* declared *unconstitutional* a Nebraska law adopted in 1953 authorizing municipalities to issue revenue bonds to finance the acquisition or construction of industrial buildings to be leased to private companies. The Supreme Court held that the law violated a provision of the State Constitution which provides that the credit of the State shall never be given or loaned in aid of any individual, association or corporation.

The Court stated that it deemed "to be most persuasive reasoning and a statement of controlling

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principle" the following statement by the Supreme Court of Florida in its decision in *State* v. *Town of North Miami:*

"This Court has approved special acts of the Legislature authorizing advertising programs, the acquisition of land, for golf courses, parks, playgrounds and recreational and hospital centers. The court has also approved special acts authorizing the construction of buildings which served a public purpose and many other acts authorizing counties and municipalities to acquire property and make improvements to public property which served a public purpose. In none of the cases decided by this Court since the adoption of our present Constitution have we approved any special legislative acts which authorized any of the political subdivisions or governmental units of the State to acquire property and erect buildings thereon for the exclusive use of a private corporation for private gain and profit."

"Every new business, manufacturing plant, or industrial plant which may be established in a municipality will be of some benefit to the municipality. A new supermarket, a new department store, a new meat market, a steel mill, a crate manufacturing plant, a pulp mill, or other establishments which could be named without end, may be of material benefit to the growth, progress, development and prosperity of a municipality. But these considerations do not make the acquisition of land and the erection of buildings, for such purposes, a municipal purpose. . . . Our organic law prohibits the expenditure of public money for a private purpose. It does not matter whether the money is derived by ad valorem taxes, by gift, or otherwise. It is public money and under our organic law public money cannot be appropriated for a private purpose or used for the purpose of acquiring property for the benefit of a private concern. It does not matter what such undertakings may be called or how worthwhile they may appear to be at the passing moment. The financing of private enterprises by means of public funds is entirely foreign to a proper concept of our constitutional system. Experience has shown that such encroachments will lead inevitably to the ultimate destruction of the private enterprise system."

The Supreme Court of Nebraska further stated:

"The purpose of the statute, and the contract in the present case springing therefrom, is to assist a private corporation that is engaged in an enterprise for profit. It is true, of course, that the city may be benefited by the location of the company in the city. It may produce employment for citizens of the community. It may tend to balance a locally restricted economy. But general benefit to the economy of a community does not justify the use of public funds of the city unless it be for a public as distinguished from a private purpose. This is simply a case where the city is attempting to use the powers, credits, and public moneys of the city to purchase land and erect industrial buildings thereon for the use of a private corporation for private profit and private gain. It serves no public or municipal purpose. The Act purports to grant powers to cities which are beyond the authority of the Legislature to confer."

NEW JERSEY

In *Switz* v. *Township of Middletown, et al*, the Supreme Court of New Jersey on March 11, 1957, held that on the petition of a taxpayer of a municipality, the local assessing officials may be ordered to carry out a reassessment of all taxable property in the municipality at the standard of "true value" directed by statute. The Court concluded that a reassessment of all properties in the town on the basis of 100% of "true value" was the only practical means to arrive at the equality of treatment and burden which is announced as the guiding principle of taxation. The Court postponed the effective date of the order so as to apply first to the tax year 1959 "to afford the Legislature the opportunity to take such measures and provide for such administrative procedures as its own inquiry may prove to be essential to the public interest, and to allow the Township time needed for the fulfillment of the project."

SOUTH DAKOTA

In *Schelle* v. *Foss et al, Governor of the State of South Dakota, et al*, the plaintiff sought a writ of prohibition preventing the defendants from proceeding with a proposed plan involving the sale and reinvestment of securities belonging to the permanent school funds, which totaled in the aggregate over $34,000,000. Section II of Article VIII of the Constitution of South Dakota provided that:

"The moneys of the permanent school and other educational funds shall be invested by the Commissioner of School and Public Lands only in bonds of the United States, securities guaranteed by the United States, bonds of the State of South Dakota, or in bonds of any school corporation, organized county, or incorporated city within the State of South Dakota and at such rates of interest as the Legislature shall, from time to time, determine."

Over $30,000,000 of the funds were invested in U. S. Government Bonds. In recent years few loans had been made to local political subdivisions because they had been able to obtain money from private investors at lower interest rates than the 3% required on school fund loans; but during the past year, with tight money and higher interest rates, there were numerous demands for loans to local political subdivisions. In order to make money from the school fund available for 3% loans to local political subdivisions, it was proposed to sell at a discount of 7¢ to 9¢ on the dollar approximately $13,000,000 worth of U. S. Government Bonds in the school fund bearing interest at 2½% and 2¾%. It was conceded that the sale and conversion of the U. S. Bonds at a discount would deplete the permanent school funds to the extent of the discount; but the defendants estimated that the depletion in the permanent school fund would be completely restored in a matter of five or six years and that thereafter during the normal life of the reinvestment, the interest and income funds would gain approximately $1,500,000 over the rate on the U. S. Bonds proposed to be sold.

The Supreme Court of South Dakota on June 25, 1957, granted the writ of prohibition, preventing the defendants from proceeding with the proposed plan of reinvestment, after concluding:

"We furthermore, cannot escape the conclusion that the voluntary sale of invested securities belonging to the permanent school funds at a discount would be an unconstitutional assumption of power. Such sales would constitute an unlawful diminishment of the principal of the funds contrary to the provisions of our Constitution that such money 'shall be and remain a perpetual fund. . . . The principal shall forever remain inviolate, and may be increased, but shall never be diminished. . . .' Such language does not sanction degrees or periods of diminishment."

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Aluminum's New Era

as ingot, plate, sheet, wire, rod, cable, extrusions, foil and fabricated parts.

A few of the market estimates derived from our study may indicate why the aluminum industry does not have a long-term problem of over-supply or overproduction.

Our story is based upon the generally accepted view that the economy will double by 1975. In the same period, we confidently expect the use of aluminum to show a five-fold increase—from 2,000,000 to 10,000,000 tons.

In terms of a few particular markets we find that ehe electrical industry used one-quarter of a million tons of aluminum in 1955.

Our study indicates a consumption of over 1,000,000 tons by 1975 —at least a four-fold increase brought about by the expanding power needs of the United States; increased mechanization in our homes and in our industries; and a further penetration of aluminum into products now made of competing materials.

The use of aluminum in transportation will climb—from 400,000 tons in 1955 to 3,000,000 tons in 1975. This seven-fold increase will make transportation the largest single market for aluminum.

In architecture and construction a four-fold increase is indicated — from around a half million tons now, to 2,000,000 tons 20 years later.

And so it goes, in each of the regular peacetime markets we have studies.

Military markets are also expanding. Years ago it was principally military aircraft. Today, with the emphasis on missiles and the necessity for rapid, global movement of entire airborne divisions, our light metal has new and wider applications.

The airborne division alone will require vast amounts of aluminum—far more than has been used in the missiles and supersonic aircraft we have today.

We know from experience that aluminum has proven its ability to hold the major markets it has entered in the past. We believe from this projection, that in the sharp competition of steel versus copper, versus aluminum, versus plastics, versus glass, versus wood, our versatile metal will continue to penetrate deeper into the known markets of the expanding economy.

Although the study is designed to serve as a road to travel along —with proper attention to caution signals—it has many immediate values.

It defines our present sales goals and sales objectives.

It gives us a pre-view of the production facilities we will need, to maintain and improve our competitive position in the years ahead.

It points to our ever-expanding need for raw materials such as bauxite, fluorspar and petroleum coke; as well as additional sources of power—water, gas, oil, coal and even atomic energy, when it becomes cheap enough.

As we come to you again for additional expansion capital—and we surely will—this study will enable us to blueprint a well-balanced plan of corporate development

I have been speaking of expanding known markets, that should quickly absorb the so-called over-supply of aluminum today; require doubling our production by 1965; and re-doubling it again 10 years later.

Although this represents a tremendous expansion by today's standards, in terms of the industry's potential, these are but foot-hills along our future path.

Now I am going to go beyond the markets on which our long-range corporate planning is based —to walk where planners fear to tread—to point out the mountain peaks which I personally feel are on this industry's horizon.

New Techniques

New technologies and new manufacturing practices will, I believe, transform this industry from a job-order basis to full-fledged mass production.

Fifty thousand pounds was a big order in this industry 10 years ago. Five years ago, 500,000 pounds was large. Today, a big order is over 2,000,000 pounds. Thus we are approaching a level of business which begins to justify mass manufacturing techniques.

The challenge of mass production has always been with us. But until today we have lacked the metal to take advantage of the tremendous opportunities it offers us. I believe an abundance of our metal was a first pre-

requisite for the new era that lies ahead.

The expanding use of aluminum in the automobile industry is a classic example of how metal availability is bringing about mass production techniques, and the aluminum industrial revolution I speak of.

Before 1950 we delivered metal to automobile manufacturers in pig or ingot form. They remelted and cast it into finished parts.

That year our company worked out a system of delivering the metal in molten form directly to a General Motors die-casting plant adjacent to our smelter.

This was the first sale of molten aluminum in the industry's history.

In 1955, we signed a similar molten metal contract with Ford, under which they agreed to take substantial tonnage from a new primary plant we were building in Alabama.

And early this year, we made another agreement of the same kind with Chevrolet at our newest reduction plant now under construction on the St. Lawrence Seaway.

What is the significance of these contracts to the future of our industry?

In themselves, they represent a mass production technique — the continuous delivery of a single aluminum product, on a 'round-the-clock basis, 365 days a year, to a production-line industry.

Secondly, they guarantee an adequate supply of aluminum to one of our industry's best customers.

Over the years, aluminum has advanced in the auto industry from it occasional use for pistons, to a point where today a leading car manufacturer is using 1,600 individual aluminum parts in the 1958 models of its cars and trucks.

Thus every new application has led to a better understanding of the advantages of the metal itself—its lightness, strength, workability, freedom from rust, resistance to corrosion.

Since World War II the use of aluminum has risen from two to 45 pounds per car, with as much as 200 pounds in a single model.

Certainly, at this rate of growth, the time cannot be far off when aluminum components for cars will be running off assembly lines.

Edward Cole, Vice-President of General Motors and General Manager of Chevrolet said earlier this year—and I quote:—"New manufacturing techniques indicate that the rate of increase in aluminum usage by the automotive industry not only will be maintained but will probably be accelerated."

Many of you are aware of another advantage of these molten metal contracts to the aluminum industry, because you helped to finance these new facilities.

We felt more primary production was needed. These contracts established the fact that the expansion was both necessary and sound.

Actually, the mass production technique is not new to this industry. For many years it has been working successfully in the production and marketing of Reynolds Wrap.

As you know, our own company began in the foil business and has done much of the industry's pioneering in the field.

We stressed this application of aluminum for two good reasons: it gave us an opportunity to sell aluminum itself to the American public; thus creating a wider demand for the metal. It was a product that could be mass produced with all the assembly-line advantages of mass production. There is hardly a man, woman or child in the United States who cannot attest to the success of this effort. What was true for foil can be true for other aluminum products.

Aluminum Cans

As I see it, we are moving toward a new era in our industry where a plant such as our huge sheet mill near Chicago would be turning out a standardized, mass tonnage product, instead of the thousands of individualized orders now being manufactured there.

At that stage in the industry's development entire plants would be devoted to rolled sheet for such items as aluminum cans.

Other mills will be producing extra-wide sheet and plate; which can be welded economically to make ships, barges, railroad cars, tanks and other large structures.

Pipe for irrigation and the oil industry will be mass produced in still other single-purpose plants.

In building and construction there is an opportunity today for the mass production of aluminum products now being used.

For example, in the residential field, current consumption of these products is less than 40 pounds per house. The potential is indicated by the successful marketing in Detroit of Moderate-priced homes containing 1,500 pounds of aluminum each.

We are already moving toward break-throughs in many of these mass markets.

Two can contracts have recently been signed by aluminum producers with a large oil company and with a major food manufacturer.

In almost every phase of the oil industry—exploration, production, transportation and marketing—we see break-throughs.

Aluminum Pipe

For the past year we have been promoting and selling pipe to the oil industry to carry surface water and fuel to drilling areas. Last week a major oil company adopted aluminum pipe as standard for these requirements.

To meet the expanding demand for our pipe in oil, gas and irrigation we have developed an automatic pipe-welding machine that permits miles of pipe to be laid at amazing rates of speed.

We are selling aluminum plate and extrusions for large tanks that transport liquid natural gas at very low temperatures.

Within the past few months this company supplied aluminum components for the first oil drilling platforms weighing 40 tons each.

These huge structures are being installed in Lake Maracaibo, Venezuela, where the corrosion resistant qualities of our metal have proved its value.

To show aluminum's progress in appliances and electrical goods I quote the President of a world-wide company in these fields:—"In the last six years," he stated, "our use of aluminum has almost tripled, largely through the substitution of aluminum for other materials and new applications in our products. It's apparent that over the past few years our two companies have worked very well together in developing new applications and in solving design problems in a most imaginative way."

Each of the developments in transportation, in packaging, in the oil industry, in building and construction, brings us to the threshold of our metal's industrial revolution.

Another high mountain peak that has received scant attention until now is the world market for aluminum. The industry's preoccupation with our domestic market is understandable, since we produce almost half and consume about half, of the world's aluminum.

Overseas Prospects

Our overseas opportunity lies in the immense gap between foreign and American consumption.

For example, in the United States, average per capita consumption of aluminum is about 25 pounds. The second ranking country — Great Britain — consumes around 16 pounds per person.

About 88% of the world's aluminum consumption is presently concentrated in the United States, Russia and five other countries.

This means that aluminum consumption is insignificant in the rest of the world. To us this is a tremendous challenge and tremendous opportunity.

Since aluminum has become a basic metal in our economy, second only to steel, I believe it can be a key material for improving living standards in under-developed countries.

For example, in tropical areas, aluminum sheet is particularly useful in housing, because it is tremite-proof, rust-proof and insulates.

In over-populated and undernourished areas, aluminum irrigation pipe can greatly increase and stabilize agriculture production.

This is another mountain peak above the foothills of our porjections. It awaits only adequate production facilities, assembly-line methods, and the necessary international financing, to bring it about.

We in the aluminum industry are aware of our future. We know that our greatest asset is the abundance of the minerals we need. The world is richer in aluminum than in any other basic metal.

We are now searching far and wide on every continent of the world for additional supplies of bauxite—and finding them. As a result, the industry now has larger ore reserves against its future requirements than ever before. The development of new processes to make aluminum from clay is creating a second-line of ore reserves.

We are also aware of the importance of power to our industry. Our company has large reserves of coal in Kentucky and in Wyoming. We are building reserves of gas and oil, and are constantly seeking additional fields. We are awaiting the economical development of atomic energy to apply it to our primary production. This too may come about.

When we began to produce primary aluminum in 1941, there was one other producer in the United States. By the middle of next year there will be six.

Before World War II a handful of fabricators were making aluminum mill products; such as sheet, foil, extrusions and forgings. Now there are 200 such companies.

A decade ago about 4,500 manufacturing plants were using aluminum. Now there are over 25,000.

Now the aluminum industry is prepared for its next giant forward step. We have an abundance of raw materials.

We can assure our customers an ample supply of metal in whatever form they need.

We are aggressively developing new and bigger markets.

What I am saying is this—break-throughs to mass production challenge us at every turn. A new era for aluminum lies just ahead.

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Report of IBA Aviation Securities Committee

times earnings, they value airline earnings at a lower 8.4 times.

C. Future Expansion Problems of the Airlines

On top of past problems the airlines today face what can only be termed a "jet revolution," an alteration of the entire face of the industry. At no time in the past did new equipment have the capacity to render obsolete in one stroke the vast majority of equipment previously operated. Yet, because of the unique benefits of jetprop and pure jet transportation—in speed, comfort, and revenue generation—the airlines are planning to virtually eliminate the piston-powered fleet from major routes within the next few years. No single airline can afford not to convert if it is to survive the jet-propelled competition of its fellow carriers.

The jet airliner will involve a jump in speed from a present 350 miles per hour to 600 miles per hour, compressing into one step an absolute gain greater than all advances in the last 20 years. It will involve an increase in revenue generation, with a single large jet possessing the same annual trans-Atlantic carrying capacity as a large ocean liner. It will involve a jump in costs, from the $125,000 price of a DC-3, past the $1.8 million price of a DC-7, to $4-$6 million for various versions of the new large jet transports. The jet airliner will require an additional major investment in new airport facilities, passenger handling facilities, air traffic control, and mechanical maintenance if the airlines are to fulfill in safety their public service function.

The airlines' total jet and jet-prop conversion program has created an intensity of need for additional capital greater than at any time in history. As of June 1957, the industry had committed itself for more than $2 billion worth of new equipment. This amount is double the aggregate net worth of the airlines as of last December and is 27 times their net proift for 1955. An estimated additional $1-$2 billion investment in jet equipment will be made before 1967.

As of last June, the airlines reported that some $600 million, or 30% of the $2 billion initial commitment, remained to be raised. At that time $163 million had actually been paid, $766 million was expected from depreciation through 1960, and $472 million from bank and insurance loans not yet taken down. The only other internal sources for the lacking $600 million were retained earnings and proceeds from sale of aircraft. Retained earnings averaged $30 million in the 1950-56 period but have been in a declining trend. Optimistically assuming a $25 million yearly retention, this would reduce the amount needed by only $100 million. Again optimistically assuming sale of piston aircraft at two-thirds original cost, or $127 million, this still would generate internally only $227 million of the $600 million needed. Thus, a $373 million deficiency would remain after full accounting for advance payments, depreciation, loans, retained earnings, and sale of aircraft through 1960.

D. The Requirement for Increased Airline Equity Financing

The airlines, with $460 million of common stock at market value outstanding, may be forced to sell roughly $375 million additional stock or to seek additional loan credit in a fairly short span of time. In undertaking such massive financing, the airlines will be forced to compete with all alternative forms of investments, and with the profit records of all alternative industries bidding for the limited supply of investment funds. The investing public must be induced to allocate scarce funds to this segment of our economy in the amounts needed rather than to others. This free choice will be made only if the rate of return is adequate for the very real risks involved.

To achieve this necessary end, the airlines must be allowed, not only an adequate rate of return on total investment, but a sufficiently low operating ratio to provide earnings stability and growth and to give the investor a sense of confidence in the future profitability of the industry. That such confidence can be generated for an industry subject to government regulation, is proven by the record of our public utilities whose growth in earnings along with revenues has merited strong investor support.

And what is the real alternative? The alternative is to admit that America, with the world's richest economy, can afford but a second-rate air transport system. The alternative is to deny the airlines the financial strength whereby they alone can fulfill the public service function charged them by Congress. The alternative is to reverse the course of progress, forcing the domestic trunk lines back from self-supporting independence to a socialized status in which non-user taxpayers must subsidize air transport users. The alternative is to drive our defense budget higher as the government finances a military jet transport fleet when present plans are to rely on the airlines' jet facilities, available in emergency on 48 hours notice through the Civil Reserve Air Fleet.

In essence, the CAB and its staff have not adjusted to or grown with the dynamics of the airline industry and the expansion of the national economy. Through rigid application of historical concepts and practices, the authority may unwittingly cripple the very industry it is charged by law with encouraging and developing. As but one indication of this trend, the CAB staff announced its latest opposition to any general rate increase with the amazing statement that "the current general fare level will provide sufficient revenue not only for operating expenses but also for the capital costs of the carriers."

E. Needed: An Adequate Regulatory Philosophy for the Airlines

If the airline problem is ultimately an investment problem governed by free investment decisions and not by government decree, then there must be a change in CAB regulatory philosophy. The narrow concept of rate of return on depreciated assets should be replaced with a broad philosophy of adequate investment return, including a conservative operating ratio, both of which will certainly require a general passenger fare increase. Adequacy in the final analysis should be determined by the capital needs and by the earnings necessary to attract investment funds to fulfill these needs. Here the CAB might well consider the "prudent investment" principle of Justice Brandeis, that "the thing devoted by the investor to the public use is not specific property . . . but capital embarked in the enterprise. Upon capital so invested the Federal Constitution guarantees to the utility an opportunity to earn fair return."

In view of the magnitude and critical nature of the above problems defying piecemeal solutions, we also recommend that the President of the United States appoint at once an individual of the highest qualifications to undertake a complete review of the Civil Aeronautics Act and CAB procedures under the Act, with the aim of presenting to the President and to Congress a concrete program for constructive action. We feel that the investigatory approach with implications of wrongdoing is not in this instance at all warranted and urge instead a constructive analysis, weighing equally the views of Congressional committees, of the regulatory authority, of the general public, and of industry and financial leaders concerned.

IV

The Aircraft Manufacturers' Problems from an Investment Banking Viewpoint

A. Historical Problems of the Aircraft Industry

Like the airlines, the aircraft manufacturers face a series of historical problems which directly affect their financial status.

The aircraft industry is today a regulated industry—regulated by the level of defense expenditure. In recent years some 85-90% of total aircraft sales have been military. As a result, the bulk of the industry is subject to governmental limits on profits, but not on expenses or losses. Aircraft contractors face the added hazard of renegotiation and forced refund of earnings up to four years after completion of contracts.

The aircraft industry remains subject to violent expansion and contraction as a result of changes in world events, in defense strategy, in domestic politics, and in administrative decree. A combination of these factors shot government aircraft spending from $587 million in 1941 up to $12.8 billion in 1944, down to $593 million in 1947, up to $9.2 billion in 1954, and down to about $7.8 billion currently. The threat to our national security implicit in such fluctuations has been dramatically revealed in our missile program. As rocket expert Werner von Braum recently noted, the "main reason" the U. S. may require "well over five years" to catch up with Soviet rocketry is that we "had no ballistic missile program worth mentioning between 1945 and 1951."

The aircraft industry requires massive advance investment in plant, research, and prototype development often without forward commitment of government funds and without security as to volume and profitability of resulting production. The history of our defense policy is shot full of heavy industry outlays and equally heavy losses on curtailed projects.

The aircraft industry is characterized by a unique combination of lack of mass production benefits, fluctuating volume of output, yet necessity for rapid working capital turnover. Modern military aircraft are essentially long-term custom products produced with a high component of technical craftsmanship. Yet these complex products were the basis for a ninefold turnover of the industry's $620 million working capital in 1956. As a result of rapid turnover, any sudden change in output or in cash receipts has a major impact on profitable operations.

The aircraft industry is subject to an unpredictable and rapid obsolescence of product. Few industries in America must absorb the extended risk in creating revolutionary concepts at the frontiers of science without real knowledge as to their eventual value of supersession.

The history of waste and loss resulting from fluctuations in aircraft employment shows the necessity of maintaining aircraft production teams intact, regardless of shifts in defense policy. With national survival today dependent upon achievements in air technology, America cannot afford to disrupt these unique management and scientific organizations by cutbacks such as the present proposed 110,000-man reduction in force.

The aircraft manufacturers have experienced extreme difficulty in achieving sound diversification, and remain dependent today on a

single major product and purchaser. Efforts by the industry in the wake of World War II cut-offs to enter diversified civilian fields were generally abandoned with substantial losses.

B. Immediate Problems of the Aviation Manufacturers

In recent months, the aircraft industry has suffered from a compounding of historic problems, all relating to extreme fluctuations in defense policy. In a sudden and unforewarned economy drive beginning this summer, the industry suffered a stretch-out of contracts for at least 10 military aircraft, cancellation of contracts for four aircraft and two missiles, and a projected cut in employment from 910,000 to 800,000. As a result, vital skills were lost and their other key personnel resigned to seek out more stable but less critical occupations. The elimination of all overtime pay, except on ballistic missile production, restricted even vital military research and development to a routine 40-hour week.

Further stresses in the industry will be introduced by the shift towards missile and away from airframe production. Air Force procurement projections from 1956 to 1961 show a 50% drop in annual aircraft purchases, from $4 billion to $2 billion; a 40% decline in jet engine deliveries, from $1.5 billion to $900 million; a 100% increase in electronics orders to $1.3 billion; and a 460% jump in missiles, from $500 million to $2.8 billion.

In addition to all the foregong, the Air Force suddenly imposed reduced ceilings on monthly contract payments from October to June 1958. The effect was to reduce monthly payments to the aircraft industry approximately $100 million beneath the $880 million prior rate. The speed and arbitrary nature of the cut-back in what had been considered a firm government commitment left aircraft manufacturers, in their own words, "undermined . . . shaken . . . very much concerned."

Concern was justified by the fact that the industry might have to borrow and finance out of reduced earnings an estimated $1 billion additional funds to absorb the difference between expeditures ceilings and the cost of maintaining production. The alternative would be to reduce rates of production on vital defense weapons, drive costs per unit output upwards, and incur additional needs for financing. In the wake of widespread industry protests and in sudden awareness that our rocketry was lagging behind the Russians, the Defense Department recently rescinded rigid ceilings in favor of expenditure targets.

C. Investment Market Appraisal of the Aircraft Manufacturers

Due to the above shifts in Defense Department policy as much as to historic industry problems, the investment community has judged aircraft manufacturers' stability inadequate for the risks involved. The security markets have reflected this adverse decision by allowing aircraft manufacturers' stocks to fall 46% beneath their 1956-57 highs, while the Standard & Poor's 500 industrials declined but 18%. The market capitalizes aircraft manufacturers' earnings at a low 6.7 times in contrast with its valuation of the Standard & Poor industrials at 12.1 times. And the aircraft industry's credit rating has fallen even lower with heightened creditor feas of military procurement fluctuations.

D. Future Expansion Problems of the Aircraft Manufacturers

While free competition in the investment market has reduced aircraft manufacturers to a low priority for new capital investment, the need for such investment in terms of national survival may be greater than at any time in history. Upon this industry's future investment—in rocket production and testing facilities, in advance metallurgy and electronics systems, in chemical and nuclear - powered aircraft — in large parts depends America's ability to preserve peace through air superiority.

A Congressional subcommittee in 1956 listed some $350 million worth of capital investment by 12 airframe manufacturers and some $290 million by principal power plant producers over the next five years. These and ever-increasing funds must be obtained by the industry in the face of declining credit ratings, fluctuating earnings, and general investor disfavor.

What is the real alternative to a strong and stable aircraft industry? It is a socialized industry, financed by the taxpayer, controlled by the bureaucracy, inimicable to our way of life. American free enterprise in 1956 had invested $2.2 billion in aircraft manufacturing, paid $1.9 billion in salaries, and generated $5.6 billion in net sales. Certainly the financing of this major and critical industry should not be added to our already heavy tax burden.

E. Needed: An Enlightened and Stable Congressional Appropriation Policy and Defense Department Procurement Policy

The aircraft manufacturers' problem is in large measure a financial problem. **The solution lies in a Congressional appropriation policy and a Defense Department procurement policy that will afford the aircraft manufacturers adequate stability, allowing them to successfully compete in the free capital markets for additional investment in their high risk industry. In this sense, adequacy must be determined—not by an arbitrary formula or by administrative decree—but by a growth and stability factor that will attract the required capital to ensure American aviation superiority.**

In view of the overriding strategic and political factors affecting the aircraft industry, we as investment bankers do not presume to pass final judgment on the basis of our financial analysis alone. But financial strength is one prerequisite if the industry is to thrive in the future.

To achieve this end, we urge Secretary of Defense McElroy and a permanent industry committee to sit down together at once to negotiate mutually workable solutions to the host of industry problems—problems including delayed renegotiations, procurement fluctuations, program terminations, mandatory subcontracts, and nonreimbursed design changes, among many others.

Only through such government-industry teamwork, within the framework of our dynamic free enterprise system, will the aircraft industry have the stability and strength to preserve American security in the crucial days ahead.

Respectfully submitted,

AVIATION SECURITIES COMMITTEE

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The Return of Power to State Governments

Federal Civil Defense Administration in its grants of assistance. This schedule starts at $250,000 for the lesser income states and graduates to $3,000,000 for the richer states. This should eliminate over 60% of the case load.

Other Functions

Many other functions were identified as proper for consideration by the Committee. These included supplemental old age assistance and Federal cash grants to the school lunch and milk programs. After careful discussion, it was decided that companion to these functions were more complexities than could be contended with at this particular stage of the Committee's activities, if we were to present to the President an initial program for action and in time for consideration by the coming session of the Congress.

The barrier to obtaining agreement on the school lunch program was due to the observation that many of the States had constitutional limitations to granting funds to private and parochial schools. Subsequent examination of this problem indicates that this is not as serious a barrier as implied. Many of the States with such constitutional limitations provide free transportation and free textbooks to children attending private schools. It is our understanding that these actions are justified as contributions to the individual child rather than to the school itself. I believe we can argue here that a free lunch is just as personalized as a free textbook or ride.

With regard to supplemental old age assistance, I would suggest that the vast majority of people present, including myself, can be persuaded that a welfare program of this type is more proper for State and local management than for Washington control. However, the political facts of life are that there are too many people involved, too many pressure groups concerned to risk head-on assault in this area without careful consideration and public understanding that it is not intended to deprive the aged of this assistance but rather to transfer the responsibility for its administration.

The Committee also discussed tax sources that could be released by the Federal Government and become available as revenue for the States to finance these newly assumed responsibilities. Taxes discussed were the estate and gift tax, the tobacco tax, the tax on local telephone calls, and a collection of levies such as those on safety deposit boxes, pool tables, amusements, gaming devices, bowling alleys, etc. It was finally concluded that in order to finance the functions presently agreed on as proper for transfer a credit be given by the Federal Government up to 40% of the 10% ad valorem tax on local telephone calls. This would raise for the States approximately $150,000,000 at present rate of collection.

The Federal representatives on the Joint Committee pointed out that as functions were assumed by the States, the executive branch of the Federal Government would be willing and eager to discuss the relinquishment of any amount of tax necessary to finance State administration of such functions.

Emerging Problems Discussed

In its meetings, the Joint Committee also discussed a substantial list of emerging problems. Here I refer to activities obviously at a stage of development where it must soon be decided the parts to be played by the Federal, State, and local governments. These included the problems of juvenile delinquency, the growth of municipalities and urban renewal, State responsibility for health and

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safety standards in the uses of atomic energy, and better use and conservation of water resources.

Limited action was taken in two of these areas; urban renewal and atomic energy.

It was agreed that the States should create planning agencies to be concerned with the problems of urban renewal and municipal growth and that these agencies assume responsibility for planning grants to municipalities for purposes of urban renewal and low rent housing. These planning grants are presently given by the Federal Government amounting to some $30,000,000 annually and are repaid out of the capital structures of approved projects.

It was also agreed that the States should join with the Federal Government in training personnel to inspect and control the uses of atomic energy as they concern the health and safety of the people. State responsibility for workmen's compensation certainly justifies the States' desire to participate in this activity.

In conclusion, I should like to suggest to this audience that many among you will be disappointed with the rather small area of agreement arrived at by the membership of the Joint Federal-State Action Committee. Many can argue that to date the activity of the Joint Federal-State Action Committee is minutia because it has not resulted in a massive, all-out effort to transfer to the States the functions which are properly theirs under our traditional Federal system. Many will insist that the entire area of public assistance should be included and that this is the opportunity for the Federal Government to divest itself of approximately $5,500,000,000 in domestic grant-in-aid programs. On the other hand, there are many people who will rise up in opposition to what we have already accomplished. These include the professional organizations engaged in the programs we have identified, the CIO-AFL and the Farmers Union. I assure you these are the worthiest of political opponents and expert lobbyists who will use every resource to prevent the Congress from implementing these recommendations.

However, I am sure you will agree that under these circumstances it is important to provide a limited demonstration that we can develop a technique which in fact turns back the clock of history, unscrambles the eggs and reverses the insidious trend toward centralized authority which can only lead to one ultimate conclusion—a national welfare state controlled by a few and ripe for the plucking by our ideological enemies in the battle from which there can be no retreat.

President Eisenhower indicated at Williamsburg that this exercise we are now engaged in would be most justified if we turn back to the States only one function presently performed by the Federal Government and a single tax source now collected by Washington. Indeed it would be successful if we halt a trend.

I urge all of you who believe in our basic concept of government to do everything in your power to support the President in this historical effort to preserve our way.

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Central Belts of the Blind River area of some 320 million tons containing 380,000 tons of uranium oxide. This indicates that the proven uranium reserves in Canada are more substantial than ours. Their uranium reserves will support their presently planned production rates for 20 or 30 years.

The South African uranium-bearing gold reefs are also among the greatest uranium deposits in the Free World, with some 1 billion tons of ore containing some 370,000 tons of uranium oxide. At the projected rate of production, (6,000 tons a year), this will cover close to 60 years.

While the Free World is well supplied with uranium within the scope of the 5 to 10 year atomic reactor programs at home and abroad, the worldwide search for uranium ores must continue. Certainly this is true in the United States.

There is no short-cut method to discovering uranium ores. As geologists put it: uranium is where you find it. Most uranium mines needed financing even before their exploration and drilling programs had been completed. In fact, most mines required financing just to get started. This of course called for venture or risk capital. It is customary for banks to make production loans in the oil industry. This can be done because it is reasonably easy to assess the value of an underground pool of oil. There is no doubt that when uranium orebodies can be assessed with a reasonable degree of accuracy after much exploration work and drilling, it may be possible to finance mines through production loans as is now widely done in the petroleum industry. It seems, however, that for some time the uranium industry on the whole will continue to be financed mostly through equity or other forms of long-term investment.

In the very same way that the United States Government market has been the main factor in the development of the uranium industry in the Free World, the U. S. Government has also been the main customer for thorium. The requirements of the AEC however for thorium have been modest. Thorium has been obtained as a by-product of thorium salts supplied by the companies which process monazite sands. Through these purchases, we have today in the United States not only covered the thorium needs of our programs, but we also have a stockpile against possible future needs. Our stockpile goal of 2,500 tons of thorium metal has been largely fulfilled and no further purchase program for thorium is at present contemplated. The AEC price for thorium as metal is $43 per kilogram as against $40 per kilogram for normal uranium metal.

B
Milling

The USAEC has invited proposals for industrial participation in many phases of atomic energy where private industry needs encouragement to get started. This policy has been a major factor in developing a private uranium milling industry in the United States and abroad. There are now 14 uranium mills in operation in the United States with a total capacity of 10,000 tons of ore per day. The investment in these mills is close to $65 million. Contracts involving 8 more mills were negotiated in 1956 and 1957 for completion this year or next with a total capacity of 8,000 tons per day. These include 4 mills in the uranium-rich Ambrosia Lake area in New Mexico.

All told, the total milling capacity, operating and projected, will exceed 18,000 tons of ore per day at a cost in excess of $120 million. The combined investment in mines and mills may total $1 billion.

Production of uranium oxide concentrates amounted to 6,000 tons in 1956; the actual rate of production now is in excess of 8,000 tons per year. By the end of 1958, the rate should approximate 14,000 tons of uranium oxide per year, soon thereafter to reach a slightly higher amount after all mills are in operation.

In all these cases, purchase contracts for a given output at a guaranteed price were signed by the Atomoc Energy Commission with the mills, thus assuring private investors of a market for their product for a definite number of years. This period, generally five years, together with the guaranteed price (which however varies from mill to mill) for the end product, has made it desirable and possible for uranium mill companies to avail themselves of short-term financing from banks and other lending institutions. The need for equity financing was considerably reduced in the case of the milling, unlike the mining.

The Free World production in 1957 is expected to be about 21,000 tons of U_3O_8. The forecast for 1959 and the years immediately following is in excess of 40,000 tons. This includes 15,000 tons or more in the United States, about the same for Canada, 6,000 tons from South Africa and the remainder from other parts of the Free World.

In this country, there is no guarantee that the AEC will continue its uranium ore procurement program after March 31, 1962, but the Commission calls for payment of $8.00 per pound of uranium oxide delivered by the mills after March 31, 1962 until Dec. 31, 1966. The domestic uranium metal procurement program, while thus providing a guaranteed market for uranium concentrates produced by domestic mills from domestic ores, does impose a limitation, at the Commission's option, of 500 tons of U_3O_8 per year from any one mining property or mining operation.

All milling contracts in Canada are with the Eldorado Mining & Refining Ltd. acting on behalf of the Canadian Government. Most of these contracts expire on Mar. 31, 1962, with a few running to Mar. 31, 1963. All Canadian uranium production, excepting of course the domestic requirements of Canada, which are still very modest, has been developed for delivery to the United States.

When the United Kingdom approached Canada to purchase a substantial quantity of uranium, the United States and Canada agreed that the U. K. requirements would be supplied from production contracts already entered into by Eldorado. The Canadian Government has not committed itself beyond the expiration of the present contracts. However, it will no doubt seek to export its surplus to the United States and Europe. In order to match production with present customers' requirements in Canada, no uranium production contracts have been negotiated beyond those whose applications were received prior to March 31, 1956.

Regarding South Africa, their low-grade of ore and the large capital cost would have caused an excessive amortization charge for a pound of uranium oxide on a five-year basis. This fact, together with the need of a long-term assured uranium supply from the only major new source known at the time, underlies the ten-year South African milling contracts.

We have so far discussed uranium ore reserves and milling capacity and production. We must now take a look at the demand for uranium in the Free World. Under the most optimistic development of the peacetime applications of atomic energy, it is almost certain that consumption in the Free World will not exceed 20,000 tons of uranium oxide a year in 1965 and may reach 40,000 tons in 1970. This is the reason why the AEC has recently made it known that with respect to new proposals between now and 1962 for additional mill construction or expansion, the objective of the Commission will be to limit production to the approximate level which will be reached as a result of existing commitments. If new contracts are considered, preference will be given to providing a limited market for areas having no present milling facilities. As for foreign purchases, no new commitments have been made for several years. On the contrary, as indicated above, foreign commitments have been reduced by releasing to the United Kingdom material which was under contract to the United States.

We do not believe that there is any reason for concern. When atomic energy becomes competitive in the United States and as its use increases and as the technology improves throughout the Free World, a time will be reached, probably around 1965, when there will be a snowballing effect in the consumption of uranium. But since it takes years to discover uranium orebodies and build mills, it is imperative that all the mills which have been

contracted for in this country and other parts of the Free World continue to operate under profitable conditions. It is too early to know with certainty what the various governments may do at the expiration of the present contracts, but all indications are that these governments will stockpile uranium for a few years until such time as the demand catches up with production. There will undoubtedly be a transition from a government-controlled to a commercial uranium market. While it is no longer in the interest of our Government to expand production of uranium concentrate, it is of vital importance to the United States as a whole because of our relatively low ratio of reserves to production, as compared with Canada and South Africa, that we continue to pursue a dynamic ore exploration program. This may require action on the part of our Government even before 1962 to give possibly needed encouragement to our basic uranium mining industry.

C
Feed Materials Plants

Whereas the mining and milling of uranium ores is now in the hands of private industry, the various feed materials plants that exist in the U. S. are owned by the Atomic Energy Commission, although they are operated by private companies.

The concentrates are delivered to either the St. Louis and the Weldon Springs, Missouri, feed materials plants, both operated by the Mallinckrodt Chemical Company or to the Fernald, Ohio, feed materials plant, operated by the National Lead Company. In these plants, the uranium concentrate often called "yellow oxide" is transformed into orange oxide UO_3, then reduced to uranium dioxide UO_2, and then hydrofluorinated to obtain uranium tetrafluoride, known as "green salt." Some of the green salt is then reduced to natural uranium and some goes to the gaseous diffusion plant at Oak Ridge, Tennessee, Portsmouth, Ohio, or Paducah, Kentucky. These plants are owned by the Atomic Energy Commission and operated by Union Carbide and Goodyear. In these gaseous diffusion plants, the valuable fissionable uranium-235 isotope is separated from the nonfissionable uranium-238 as uranium hexafluorides.

As a further step to increase the participation of private industry in developing atomic energy, in 1955 the Commission requested proposals from qualified firms for processing uranium ore concentrates into either tetrafluoride or hexafluoride with deliveries to begin April 1, 1959. Seven bids were submitted and in November, 1956, the Commission announced that the proposal received from the Allied Chemical & Dye Corporation had been selected as a basis for negotiations of a contract for supplying 5,000 tons of uranium oxide (U_3O_8) equivalent per year as highly purified uranium hexafluoride. This company apparently will be able to finance the plant with its own resources. But had some other bidders received the contract, they would no doubt have entered into the same kind of financing used in most uranium mills—i. e., short-term financing from banks or other lending institutions. Here again we are dealing with a purchase contract for a given output at a guaranteed price for a definite number of years.

There was of course no problem of private financing for the other feed materials plants and for the gaseous diffusion plants since they were built with Government funds.

It is interesting to note that the electricity consumption of the AEC gaseous diffusion plants is enormous. These three plants consume about 10% of all the electricity produced in the nation. The Electric Energy, Inc. and Ohio Valley Electric Corp., both of which are made up of a number of private utility companies, are supplying a very substantial amount of the energy consumed in these diffusion plants.

D
Nuclear Reactors

This phase of the business includes the manufacturers of the reactors and their components, whether they be for electrical or mechanical energy (propulsion) or for heat. This phase also includes the users of the reactors, whether they be for electricity or ships or industries that use reactors as a source of heat for industrial and high temperature processes. Today, the emphasis is mainly on the production of electricity, but the other applications of reactors to private industry are becoming of increasing interest and may become equally as important.

(1) **Manufacturing Companies:** Many large industrial companies in the United States have gone into the manufacture of reactors. These include Westinghouse, General Electric, Combustion Engineering, Babcock & Wilcox, North American Aviation, and Martin. This new activity calls for new capital expenditures but, as a rule, these have been covered as a part of the overall capital requirements of that particular industry in its normal expansion program. There has been no specific financing of industrial facilities for the manufacture of reactors. Besides, it is also standard procedure in reactor construction, as with conventional plants, to have the utility or the user of the reactor make periodic progress payments to the manufacturers as the construction work advances. This method helps the manufacturer solve his own financing problems to a very large extent since the burden of financing is thus shifted to the user of the reactor.

Many smaller companies have come into being in the last few years, particularly since the enactment of the Atomic Energy Act of 1954. These companies are concerned primarily with one or several specific manufacturing aspects in the field of atomic energy such as fuel elements, instrumentation, shielding, etc. Such companies have their origins rooted in the discovery of nuclear fission.

For these companies, the financial problems have a specific character and they have to be met on the basis of the particular needs and capabilities of the company. Factors which come into play include the current market and the estimated future market for the new company's products. Another important consideration for meeting the needs for capital is the quality of management in the new company and the form in which the capital is to be raised. The more or less rapid obsolescence of new industrial plants is also a factor to be considered in this financing.

User Legislative Controversy

(2) **Users:** Last year, Senator Arthur Gore presented a Bill which was not passed by Congress and which would have authorized and directed the AEC to spend $400 million over the next five years on large and small demonstration power reactors. This was in addition to the other U. S. power reactor construction activities under way. The Bill was the subject of much controversy at the time. The feeling had been for quite a few months past that more atomic power was needed if this country was to retain its present leadership in the world. This concern had also been shared by a segment of private industry.

The two-year-long controversy in Washington over the kind of atomic power program we need in the United States was resolved temporarily through a series of compromises, reached in the closing days of the 1957 Congressional session. The picture looks more like an armistice than a peace, however, and it now appears that Congress will have much more power than it has had in the past over the nation's reactor development program.

Congress passed the Anderson-Price Indemnification Bill which provides for $500 million of Government indemnification to reactor builders and operators for each atomic reactor project in the United States. The $500 million is over and above the amount of third-party liability insurance deemed by the AEC to be reasonably available for each project from the private insurance companies. Introduced on May 9, it passed the House on Aug. 8, the Senate on Aug. 9, and was signed by the President on Aug. 28. It had been the fervent hope of private and public industry that such a law would be passed during the session of Congress. This law removes an important roadblock in the progress of atomic energy. The new law also creates a statutory reactor safeguards committee and requires that its reports be made public.

The AEC, over its objections, has been directed by Congress:

(1) To commence construction on a 15,000 electrical kilowatt experimental reactor utilizing plutonium as fuel.

(2) To proceed with sufficient design work and engineering and development work of a large-scale single or dual purpose reactor for the production of special nuclear materials. (A dual purpose reactor produces plutonium and electric power).

(3) To proceed with design, development and engineering work on a large-scale natural uranium power reactor prototype to be of the graphite-moderated, gas-cooled type.

(4) To contract directly with manufacturers for the construction of the four small power reactors to be operated by the Chugach, Elk River, Wolverine Electric Co-operatives and the City of Piqua, Ohio. All these so-called second-round reactors are to be owned by the Government for so long as they are useful for research and development purposes, but not to exceed 10 years, and then are to be sold to the operator or dismantled.

Substantial progress on the Civilian Power Reactor Program has been made this year. The program points towards a total electrical capacity of close to 1½ million kilowatts by 1962-63.

First Plant By 1958

The first large nuclear plant in the nation will be largely completed by the end of this year at Shippingport, Pennsylvania. This reactor comes under the Government's experimental program. The Duquesne Light Company is building the non-nuclear portion of the plant and will operate the plant upon completion. The initial capacity of the plant will be in excess of 60,000 kilowatts.

The Experimental Boiling Water Reactor at Argonne National Laboratory, which also comes under the Government's experimental program, and which is the first civilian reactor designed exclusively for production of electricity, was dedicated last January and is supplying 5,000 kilowatts of electricity to the Argonne Laboratory.

Still under the Government's experimental program, the sodium reactor built by Atomics International, a Division of North American Aviation, Inc., began operating at Santa Susana, California last April. The heat is being purchased on an experimental basis by Southern California Edison to supply 6,500 kilowatts of electricity from a generator installed by the company at no cost to the Government.

As of the end of June, seven proposals had been accepted by the AEC under the invitation issued by the Commission for public and private organizations to participate in its Power Demon-

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stration Reactor Program. These proposals, showing the contractors at the time, are described in Table I.

As indicated in earlier discussions on "users," as a result of the Joint Congressional meetings on atomic energy, it was decided that the AEC would be required to contract directly with the manufacturing companies for the construction of the reactors planned for Chugach, Elk River, Wolverine Cooperative, City of Piqua, Ohio and also for the Consumers Public Power District of Nebraska.

"Duquesne Formula"

The reactors when completed will be owned by the AEC and will be operated under the so-called "Duquesne formula" which calls for the utility to provide the generating equipment, operate the plant and pay for the steam produced at a negotiated price. The price would be designed to keep the cost of nuclear power within the limits of conventional power costs. When the contract was renegotiated between the AEC and AMF, the company withdrew its offer to undertake the Elk River plant at a ceiling cost, and was only willing to proceed on a straight cost basis. A similar collapse of negotiations took place between the AEC and Foster Wheeler Corporation on comparable grounds for the Wolverine Cooperative reactor. The AEC has extended a general invitation to U. S. firms to submit proposals on the first of these two reactors.

Last January, the AEC expanded its Power Demonstration Reactor Program by issuing a third invitation for proposals to develop, design, construct and operate nuclear power plants. There was no deadline for submission of bids other than that plant construction must be completed by June 30, 1962, except for reactors using a fluid-fuel system. In such cases, the completion date is June 30, 1963.

On April 30, Florida Nuclear Power Group submitted a proposal which contemplates constructing a natural uranium-fueled, heavy water-moderated, gas-cooled reactor of 136,000 electrical kilowatts in West Central Florida.

On May 15, the Northern States Power Company proposed a boiling water reactor power plant designed to produce 66,000 kilowatts of electricity.

Pacific Gas & Electrical Company announced plans to build alone or in partnership with other California utilities a large-scale reactor in California.

West Penn Group, including utilities which operate in the Ohio Valley and contiguous areas, announced plans to build a small prototype reactor by 1962 with an electrical output of about 13,000 kilowatts. If the research work on the prototype develops satisfactorily, West Penn hopes to undertake well before '62 the preparation of plans for the construction and operation of a reactor of up to 200,000 kilowatts.

Isotopes Products Inc. of Buffalo, New York, with several other corporations announced plans to build a boiling water reactor for dual production of Cobalt 60 and process steam, the steam to be supplied to a pulp and paper mill.

The organizations and reactors in the independent projects announced last year are set forth in Table II.

TABLE I

Organization—Plant Location	Type—	Principal Contractor	Power (Elec. Kws.)
Power Reactor Development Co. Inc. (Monroe, Mich.)	Fast breeder	PRDC	100,000
Yankee Atomic Electric Co. (Rowe, Mass.)	Pressurized water	Westinghouse Electric Corp.	134,000
Consumers Public Power District (Beatrice, Neb.)	Sodium graphite	Atomics International	75,000
Rural Cooperative Power Ass'n. (Elk River, Minn.)	Boiling water	AMF Atomics, Inc.	22,000
Wolverine Electric Cooperative (Hershey, Mich.)	Aqueous homogeneous	Foster Wheeler Corp.	10,000
Chugach Electric Ass'n. Inc. and Nuclear Development Corp. of America (Anchorage, Alaska)	Sodium, heavy water	Nuclear Development Corp. of America	10,000
City of Piqua, Ohio	Organic moderated	Atomics International	12,500

TABLE II

Organization—Plant Location	Type—	Principal Contractor	Power (Elec. Kws.)
Consolidated Edison Co. of N. Y. (Indian Point, N. Y.)	Pressurized water	Babcock & Wilcox	*275,000
Commonwealth Edison Co. (near Joliet, Ill.)	Boiling water	General Electric	180,000
General Electric Co. and Pacific Gas & Electric Co. (Pleasanton, Calif.)	Boiling water	General Electric (now in service)	5,000
Pennsylvania Power & Light Co. (Eastern Pennsylvania)	Aqueous homogeneous	Westinghouse Electric Corp.	150,000
New England Electric System (New England)	Undetermined	Not selected	200,000
Carolinas-Virginia Nuclear Power	Undetermined	Not selected	10,000
Associates			30,000

*163,000 kw. nuclear plus 112,000 kw. oil fired.

All of this indicates a dynamic and diversified program, in which private industry has taken its fair share. This is all the more remarkable in view of the fact that atomic energy is certainly not yet competitive with energy produced in conventional plants.

Doubts Earliest Target Dates

There have indeed recently been sizable increases in estimated costs of the various projects. A more conservative attitude prevails now than two years ago. The predicted downward trend in costs has not materialized because the research and development expenditures have been much greater than anticipated. These research and development expenditures are capitalized and result in a considerably higher investment per kilowatt of installed capacity, at least in these prototype reactors. The optimistic view of one or two years ago was that we would be able to achieve competitive power in the U. S. by 1962. It seems now that this date has been pushed back to 1965-67.

Capital costs on a kilowatt basis of important projects, such as Consolidated Edison, are up from $230 to at least $260—for Commonwealth Edison, from $250 to $333—for Yankee, from $230 to $425—for Power Reactor Development Company, from $450 to 476, etc.

A guaranteed fair price schedule for plutonium metal was recently announced by the AEC in which the price paid is adjusted according to the plutonium-240 content. On this basis, the price to be paid up to June 30, 1962 for plutonium with no Pu-240 will be $45 per gram, decreasing to $30 per gram for 8.6% Pu-240 or greater. From July 1, 1962 to June 30, 1963, the price will be $30 per gram regardless of Pu-240 content. The Commission intends to extend annually, for one year, the period for which guaranteed prices of plutonium have been established so that at any one time the guaranty period will extend at least six years in advance. The considerably enhanced value—$12 per gram previously — of the plutonium offers an economic incentive but this does not offset the higher operating costs due to fuel element fabrication and chemical reprocessing of spent nuclear fuel. The above prices are to be paid for domestically produced plutonium; the price to be paid for plutonium produced in U. S.-built reactors located overseas is still $12 per gram.

The cost of atomic energy in large units, including interest and depreciation on the investment and the nuclear fuel costs, based on an 80% load factor are in the range of 10 to 14 mills per kilowatthour, up from the estimated range of 8 to 11 mills two years ago. Estimates of cost of nuclear energy are still largely theoretical, however, and will continue to be so until actual operating experience is gained.

The challenge of achieving competitive atomic power looms larger than previously anticipated. It will therefore certainly take another 10 years before we have a self-sufficient atom industry free from major dependence on the Government. In the meantime, there is no alternative but for the Government to continue to make substantial investments in research and development. There is also greater need, more than before, for a close cooperation between government and industry. Neither can do the job alone in this twilight period.

Financing Power Reactors

Regarding the financing of some of these power reactors, some utilities in the United States such as Consolidated Edison of New York are financing reactor plants as a part of the company's overall production facilities. In other words, the nuclear plant forms part of the needs for capital of the company to cover costs of transmission lines, substations and the distribution networks. The general credit of the company is used for securing this type of financing. In this instance, there is no separate problem connected with the financing of the new reactor plants. It is integrated in the overall development program of which the reactor is only a small part.

In other instances such as Commonwealth Edison of Chicago and its associates, utilities have pooled their resources and organized non-profit corporations to construct and operate the reactors. Part of the capital funds needed for the construction of the plant is covered through grants from the sponsoring companies. These are then written off as research expenditures over a five-year period. These grants are intended to cover the excess capital cost of a nuclear plant over the cost of a corresponding conventional plant of the same size. The State Public Utility Regulatory Commissions and Income Tax Authorities have adopted a most constructive attitude by agreeing to consider this write-off over a five-year period before arriving at the fair rate of return to which the utility is entitled. As long as the nuclear plant is of a capacity that does not exceed say 10% of the total installed capacity of the sponsoring companies, the additional cost to the utility consumer will be negligible. The conventional cost of the plant of course is then financed on the long-term basis normally used by electric utilities. Construction funds are secured from banks and insurance companies, although in some cases pension trust monies have been used.

Reactors for Ships

A contract was signed last April with the Babcock & Wilcox

Company for design and construction of a nuclear propulsion plant for the first nuclear powered merchant ship. Development work is going on intensely to build reactors for ships that will be economically competitive. Large scale conversion of the naval and merchant fleets of the world to atomic energy is a distinct possibility. The USS "Nautilus" continues to operate most satisfactorily. The USS "Seawolf" is doing restricted service until such time as the sodium plant can be replaced with a pressurized water reactor plant of the Nautilus type. The Seawolf was commissioned last March. It is well to call attention here to the fact that difficulties which arose in connection with the sodium reactor were due to the fact that, because of space limitation, the two separate heat exchangers which normally would be used in a conventional power plant had to be combined into one. The trouble that arose in the superheater of the heat exchanger should therefore not lead anyone to believe that the sodium-cooled type of reactor does not have a real future in the family of reactors. The third nuclear-powered submarine, the USS "Skate" was launched in May. Its plant is of the pressurized water reactor type and the first tests conducted recently were extremely satisfactory. Work proceeds on other reactor-powered submarines.

The Army Package Power Reactor, a prototype of a pressurized water reactor was dedicated last April at Fort Belvoir, Virginia. The capacity of this plant is close to 2,000 electrical kilowatts and the plant has been operating very satisfactorily.

Reactor experiments relative to nuclear operation of turbo-jet engines are being pursued vigorously.

Special reactors are needed for conducting engineering experiments on the effects of radiation. The former irradiation facilities of the AEC's materials testing reactor, having a capacity of 40 megawatts of heat, had become insufficient. They were supplemented by the engineering test reactor at the National Reactor Testing Station, which was completed last Summer and which will operate at a capacity of 175 megawatts of heat.

The combined engineering testing reactor and materials testing reactor facilities by no means satisfy the needs of the various atomic energy programs. The current Commission's programs alone would require construction of additional facilities. The need for a specific number of test reactors becomes quite clear. In recent months the AEC has developed specifications for a very advanced type of test unit called the "advanced engineering test reactor," which would cost from $75-$100 million. The AEC has no current plans for construction of this unit and the Commisison continues to hope that private industry will take over the test reactor phase.

As a source of industrial heat, reactors will undoubtedly find many applications in industry. In fact, about one-half of the total heat energy used in manufacturing is required for high temperature processes. These high temperatures cannot be attained today in nuclear reactors, but with improved technology the reactors no doubt will supply in time a large proportion of the process heat that is needed.

E
Chemical Reprocessing and Waste Disposal

Chemical reprocessing plants constitute an integral part of the fuel cycle of the reactors. These plants recover the fissionable materials present in the uranium fuel elements for reuse; they also enable the radioactive products to be disposed of or put in usable form. To date these operations have been performed in the Commission's own plants.

Over two years ago the AEC announced a program to encourage private industry to build and operate such plants. The Commission's survey has revealed that industry is not ready at this time to undertake the radiochemical reprocessing. The feeling is that the prospective income from the business available from the Commission and private reactors is not sufficient yet to warrant the risks involved in a very substantial investment in new facilities. The Atomic Energy Commission is at the present time reprocessing spent fuels in Government-owned plants. The AEC has recently decided to continue to use such facilities to process the irradiated fuel elements discharged from research and power reactors. The processing services are planned for an interim period which will be subjected to cancellation on 12 months' notice when private processing services become available commercially at reasonable prices.

F
New Metals

Reactors call for materials that can withstand high temperatures, resist nuclear radiation, have good thermal conductivity, or have an especially desirable nuclear property. Many new metals are being used to meet these requirements. These new metals are not new in the sense that they are different from those we know. There are only 92 elements in nature. Whatever new metals are used in reactor technology, they are only new in so far as their use is concerned. Today some 22 to 25 elements of those known to science are used in reactors. They can be classified as follows:

Fuel
- Uranium-235
- Plutonium, which is made from U-238
- U-233, which is made from thorium

Coolant
- Water
- Heavy Water
- Helium
- Carbon Dioxide
- Sodium
- Sodium Potassium Alloys
- Bismuth
- Organic Coolants

Moderators and Reflectors
- Water
- Heavy Water
- Helium
- Carbon or Graphite
- Carbon Dioxide
- Beryllium

Control Elements
- Boron
- Hafnium
- Cadmium
- Gadolinium.

Structural Metals and Cladding of Fuel Elements
- Stainless Steel
- Aluminum
- Zirconium

In a reactor, a number of special properties are required. No one metal combines all these properties.

Facilities for the production of beryllium and zirconium are being expanded extensively on the basis of five-year contracts signed with the Commission. Once again, we are dealing with contracts covering volume and price for a fixed five-year period and this has made it possible for the companies to build them to avail themselves of short-term financing.

Recently, gadolinium has been found to have exceptional powers of neutron absorption, in fact, by far the greatest neutron absorption cross-section of any of the elements. It could therefore very well become a component of moderators or the inner portion of reactor shields. Gadolinium is one of the 14 so-called rare earths, which are really not rare nor are they earths. They are metals. Up to recently, it was practically impossible to separate them by conventional methods. Today a new method has been devised to separate them by ion exchange. No doubt that some of these rare earths will become useful metals as their metallurgical and nuclear properties are investigated further.

An interesting new metal in the atomic energy program is niobium (columbium). This metal has a fairly low neutron absorption cross-section. A few years ago it was on the list of critical materials, but vast new deposits have been found all over the world. The metal is still quite expensive, costing about $40 to $80 per pound. Attempts are being made to improve niobium oxidation resistance as this metal oxidizes readily with air at high temperatures.

We probably will have in 20 years from now a nuclear installed capacity as great as our conventional capacity today. With such a program ahead of us, these new metals will come into increasing use and demand.

* * *

III
International Aspects of Atomic Energy

In no country is atomic power competitive today. Even in England, where the conventional fuel costs are high, atomic power is hardly competitive in spite of the high credit value placed on the plutonium which is produced in the Calder Hall plant. The same comments hold true for the French power reactor program. But in Europe (as in many other parts of the world), the need for energy transcends purely economic considerations.

European energy imports will rise to an equivalent of 200 million tons of coal by 1965, and to an equivalent of 300 million tons by 1975. The energy imports by the end of 1962 will be at a level of about 170 million tons of coal. The target of the European Atomic Energy Community (EURATOM), composed of Belgium, France, Italy, Luxembourg, the Netherlands and West Germany, is to stabilize the imports of energy at the 1962 level. This would require that by the end of 1967 nuclear power stations would have been commissioned with an installed capacity of 15 million kilowatts. This is an imperative goal, although it may not quite be reached.

The United Kingdom plans to have 5 or 6 million kilowatts in power plants by 1965. Japan needs 900,000 kilowatts by 1965 and 3 million kilowatts by 1970. In the United States, where emphasis is placed on a variety of prototypes rather than on the purely kilowatt aspect, the nuclear capacity by 1965 may be only 3 or 4 million kilowatts. Roughly speaking, the Free World 10 years from now should have 25 to 30 million kilowatts of nuclear capacity with a total investment of some $10 billion, exclusive of the nuclear fuel. This figure may even be doubled if we take into account the other applications of reactors in addition to electricity.

Private Financing

A substantial but unknown part of these funds will be financed by private industry. It does not appear that there will be a lack of capital to finance vital reactor programs abroad. It is true that money conditions are tight at the present time in most countries, but in any event, Europe and other nations would have to find the necessary resources to import conventional fuels. The drain on these nations' resources for importing nuclear plants in the early years will indeed be greater than the drain that the import of fuels would represent. The end result, however, would benefit those nations.

Without going into detail concerning the sources of capital for financing the import of reactors by overseas nations, it can be said that where export of reactors of U. S. manufacture is involved, the Export-Import Bank has expressed its willingness to engage in long-term financing. In fact, the U. S. Atomic Energy Commission and the Export-Import Bank have agreed upon joint actions to assist with the construction of atomic power plants in nations which entered into Agreements of Cooperation with the United States. The International Atomic Energy Agency which now functions in Vienna, Austria, may become the ultimate depository of these Agreements. In other words, these Agreements will in due time be transferred to the Agency. Furthermore, the existence of the Agency will help to eliminate the marked general preference in Europe for avoiding dependence on the United States for enriched nuclear fuels. The dependence, if any, instead will be on the International Atomic Energy Agency.

In February, 1956 President Eisenhower announced that 20,000 kilograms of uranium-235 was being made available to friendly foreign nations with an equal amount for use within this country. Last July, these amounts were increased from 20,000 to 50,000 kilograms, making a total of 100,000 kilograms, which at current prices is worth about $1.7

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billion. Of the amount of 50,000 kilograms allocated to friendly nations, the U. S. has offered an initial contribution of 5,000 kilograms of U-235 to the International Atomic Energy Agency. Russia made available 50 kilograms of U-235 while Great Britain confirmed a previous offer of 20 kilograms of U-235. Portugal made available 100,000 kilograms of natural uranium oxide. The U. S. will also match through added contributions the sum of all such and other quantities made available by other members of the Agency for the period between its establishment and July 1, 1960. It is well to point out that materials distributed by the U. S. to the Agency are not a "give away" as they must be paid for at no less than the charges established for domestic use. A so-called Bricker Amendment to the Participation Act, passed by Congress and which provides for representation of the U. S. in the International Atomic Energy Agency, stipulates that further donations of additional materials in excess of the 5,000 kilograms would only be permitted by special authorization of Congress.

World Bank As a Source

The World Bank is another possible source of long-term money. This institution is enabled to make loans in the currencies of the nations from which exports are to take place. In the event of a loan being approved, it must be guaranteed by the Government of the recipient nation and the World Bank always insists upon international competitive bidding before letting contracts on projects which the Bank is financing. We may also mention the International Finance Corporation, a recently established subsidiary of the World Bank, the Chase International Investment Corporation, and others. This area of international financing is growing apace with the atomic energy field. New organizations and new lending techniques will be developed. We are confident that no lack of capital will obstruct the development by foreign nations of vital atomic reactor programs.

In their efforts to build nuclear power plants, nations of Europe and elsewhere will make greater use of the services of consulting engineers than have we in the United States. This will enable them to learn the technology and also to build at home a substantial portion of the equipment needed in nuclear power stations while reducing the foreign currency requirements considerably below what they would be if the equipment was purchased from this country on a turkey basis. We shall be competing with English, Canadian and German technology in the Free World. The latter two may develop rapidly, but we must bear in mind that the United Kingdom will be hard pressed from an industrial standpoint to fulfill its own goal of 5 to 6 million kilowatts by 1965. We believe there is a great business potential for American industry in the foreign field.

For the successful development of atomic energy, it is not only necessary for all nations to unite, as is symbolized by the creation of the International Atomic Energy Agency, but it is necessary to have close cooperation between government and private industry in any nation. Private industry is grasping quickly the importance of atomic energy and this should remove the possibility of dominant control of atomic energy activities by governments, both here and abroad.

Respectfully submitted,

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from us irrespective of the initiative they show in tackling their own problems or the soundness of their economic programs. This attitude is illustrated by a recent statement in the press that an Asian nation has let the State Department know it is "waiting" to be informed how much the U. S. is prepared to lend it. When the borrower waits coyly to be wooed by the lender, sound economic practice has been subverted to serve purely political ends. Such "dollar diplomacy," however it may be justified as an emergency expedient, simply does not make economic sense if we regard sound industrial expansion as a long-term proposition.

Our Government has, moreover, sometimes financed state-owned and state-managed projects without exploring the possibility that private capital might be available, and without insisting that the funds provided be given good financial management. It must, I believe, be a further matter of concern to American businessmen that we detect a certain reluctance on the part of our own Government, when disbursing foreign aid funds, to voice the American belief in the virtues of private enterprise and free initiative: our conviction, that the much-aligned "capitalist system," with its emphasis on individual action and the independent solution of problems, is largely responsible for the extraordinary growth and vitality of the American economy, and that it will produce these same happy effects in other areas of the world if only it be given the opportunity to develop unhampered by the weight of state controls or politically inspired economic theories.

Contribution From Private Sources

Meanwhile, what contribution to the development of foreign countries has been made by private investment capital, the particular interest of our Association? The noisy debate over the use of government funds has tended to obscure the very sizable contribution from private sources. In 1946, U. S. private investments abroad totaled about $13.5 billion, nearly equally divided between direct investments and short- and long-term credits. At the end of 1956, these investments totaled $33 billion, some $22 billion of which were in direct investments with $11 billion in short- and long-term credits. The $33 billion was equally divided between developed and undeveloped countries. These investments, and the various relationships which they create, are certainly one of the great sources of stability on the tense international scene. They serve both to further the world economic development and also to present to the world at large a concrete example of that "private enterprise" so typical of the American way of life.

The Committee believes, however, that this U. S. private investment abroad, impressive as it is, might have been even larger had our government made a more positive effort to encourage foreign investment by private capital. Direct loans or gifts by the U. S. to other countries tend, of course, to discourage private investors from attempting to compete in these same areas, since investors must be assured that their money is going into a sound business venture that will produce a reasonable return. If the U. S. Government is sincere in its numerous invitations to private capital to assume a major role in the long-range financing of world economic growth, it can stimulate the flow of investment funds by adopting a policy of positive encouragement of private investors.

Private Capital Must Share Blame

When your Committee recommends that our government adopt in practice this policy of entrusting private capital with major responsibility for the long-term financing of foreign economic development, thus abandoning the crash-program philosophy that has too strongly influenced our national activity in this area since World War II, we do not thereby absolve U. S. industry from the blame which it too must share for the condition which today confronts us. Speaking bluntly, we believe that too many of us in business have been so busy criticizing the role of government in foreign economic growth that we have failed during the past decade to seize all the opportunities for sound private investment that would have assured the dominant role of private capital in this enterprise.

Good business opportunities and the right climate for risk capital do exist—just recently, for instance, Keith Funston of the New York Stock Exchange has told us that private investment in South America alone must rise about 300% by 1980, to a total of more than $30 billion per year—almost, you will notice, the total of our *entire* foreign investment at the present time—if the current rate of increasing industrial output is to continue in the free countries of our neighboring continent. The challenge, then, is squarely in front of U. S. business itself; and this observation brings me to my

third point: the reasons, that is, which urge private capital to undertake major responsibility for financing the economic development in the free countries of the world.

The San Francisco Conference

I should like, in this connection, to tell you something about the International Industrial Development Conference which met in San Francisco last month. Sponsored by "Time-Life" and the Stanford Research Institute, it was unquestionably the most important meeting of its kind since the war. Over 500 private businessmen, industrialists and bankers from nearly 60 countries of the free world gathered for discussion and the exchange of ideas on industrial development: and none of these representatives, particularly those from countries now in process of developing their resources, could have left the Conference without stimulating new ideas and broadened horizons. I came away with the conviction that all private businessmen, those from the more recently industrialized countries as well as those from Western Europe and the U. S., are anxious about the role that governments now play in economic development. They believe that unless private business can exert more influence in this development, the basic principles of free private enterprise are in danger of being extinguished.

But the Conference also substantiated the opinion of your Committee, expressed above, that part of the responsibility for government's intrusion into the economic sphere lies with private businessmen themselves. Because businessmen have not been united in expressing their beliefs on this subject, they have been unable to speak with the single authoritative voice that would permit them to influence the shaping of policy. Because of a certain fear of engaging in controversy, businessmen have held aloof from the arena of political debate where their reasoned views should have been stated. Finally, because of a too narrow preoccupation with the concerns of their own particular industry or firm, many businessmen have been blind to the best interests of private enterprise as a whole, unwilling to make the sacrifice of time and effort required by concerted action.

Role of Investment Banking

Your Committee believes that these wider, more general reasons for our failure to win a larger share in foreign economic expansion must be stated; they constitute, in fact, the context within which we must view our more practical attempts to rectify the situation. Turning now to these particular aspects, especially within our own industry, I would note that some of the larger investment houses already have experience in the field of foreign investment. Other companies, we believe, would do well to add to their staff someone with specialized knowledge of foreign investment who can devote his full time and energies to expanding operations in this direction. There will be an immediate and increasing number of opportunities for investment in new businesses abroad, enough surely to justify and demand the services of an expert in the field.

As industrialization proceeds beyond a certain point in the developing countries, there must be capital markets. Some of these exist already in a few places, but facilities for underwriting, distribution and trading are very elementary. Thus we see the possibility of attractive opportunities in this area for members of our industry during the next few years.

Difficulties Not Insurmountable

This present audience does not need to be told of the obstacles to foreign investment: inconvertibility of currencies; political and economic instability; discriminatory taxation and double taxation; fear of expropriation; especially, perhaps, the simple lack of a sound business tradition in which to operate. These difficulties exist, nor will they simply disappear overnight as undeveloped countries advance towards political and economic maturity. Let us not, however exaggerate the difficulties, or take the hidebound attitude that the inequities under which foreign capital too often has to operate in these countries are a necessary condition of doing business with "foreigners."

The San Francisco Conference provided sound reasons for believing that foreign countries themselves recognize the barriers they have sometimes erected against the flow of private capital; and the obvious goodwill shown by representatives of such countries offers good hope that as they come to know American business better—perhaps I should say, as they have more opportunity to deal directly with American businessmen and capitalists—they will themselves take the initiative in creating the atmosphere of sound economic policies wherein we can operate.

But so far as the difficulties of extending private foreign investment are concerned, your Committee would insist that it is precisely these difficulties, balanced against the great national and international good which we believe will result from allowing private capital to take over major responsibility for world economic development, that constitutes the "challenge" to American business which I spoke of before. When we businessmen praise the spirit of "free enterprise," and contrast the virtues of our own economic system with the claims of socialistic or communistic theories, we mean, I suppose, that our own system permits a man freely to establish his own goals, to work freely towards achieving these goals within the framework of law, and freedom to enjoy the fruits of his own initiative, enterprise, and hard work. By contrast, the theories of socialism and communism, which insist on rigid control of individual ingenuity and enterprise, seem so repugnant to us Americans because they shackle the productivity of one man to the laziness of another, the inventiveness of genius to the routine of bureaucrats, imagination and the capacity for self-sacrifice to the plodding efforts of the majority of easy-going and uninspired men.

Challenge to Free Enterprise

All this is true; but "free enterprise," the central point of our national economy, involves still another sort of freedom: the freedom, that is, to meet one's difficulties and to solve them without waiting for help from on high, or from a beneficient government. This response to the challenge of great difficulties is surely one of the notable characteristics of the American economy, as it is of the development of our nation as a whole. If, then, we are sincere in maintaining that the benefits of this economy should be extended, through private enterprise, to other countries of the world, we cannot reasonably ask that somebody else—be it a foreign government, or our own State Department—should clear the path for us. It may well be that our government stepped in to finance foreign expansion because private capital was unable to meet the emergency. But if government continues to be the dominant factor in the future it will be because we in business and industry have not had the foresight, or the courage, or the unselfishness necessary to seize the opportunity now before us.

Respectfully submitted,

FOREIGN INVESTMENT COMMITTEE

Joseph T. Johnson, Chairman
The Milwaukee Company, Milwaukee

Eugene R. Black, Jr.
Lazard Freres & Co., New York

Edward Glassmeyer
Blyth & Co., Inc., New York

George N. Lindsay
Swiss American Corporation, New York

William F. Machold
Drexel & Co., Philadelphia

Andrew N. Overby
The First Boston Corporation, New York

Henry A. J. Ralph
Bank of America, N. T. & S. A., New York

J. Emerson Thors
Kuhn, Loeb & Co., New York

K. P. Tsolainos
Baker, Weeks & Co., New York

John M. Young
Morgan Stanley & Co., New York

With Lloyd Arnold

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—John F. Heitz and William D. Stanley are now affiliated with Lloyd Arnold & Company, 364 North Camden Drive. Both were previously with Richard A. Fay & Co.

Two With Mt. States

(Special to The Financial Chronicle)

DENVER, Colo.—James H. Finnen and Floyd E. Ingraham are now associated with Mountain States Securities Corporation, Denver Club Building.

Samuel Swimmer Opens

LOS ANGELES, Calif.—Samuel Swimmer has formed Samuel Swimmer & Company with offices at 210 West Seventh Street to engage in a securities business.

F. Eberstadt Arranges Private Placement

Eagle Terminal Tankers, Inc. announced on Dec. 16 that it has completed arrangements for the private placement of $3,000,000 of subordinated debentures due 1963 with options to purchase 240,000 shares of class B common stock.

This financing was arranged with a group of institutional investors by F. Eberstadt & Co. and is in addition to the commitments already obtained for the private placement of $15,750,000 of 20-year 5% first preferred ship mortgage bonds insured by the U. S. Government pursuant to Title XI of the Merchant Marine Act.

The Ingalls Shipbuilding Corp., Pascagoula, Miss., is now constructing two 26,400-dwt.-ton tankers for subsidiaries of Eagle Terminal Tankers, Inc. They have been chartered to the Military Sea Transportation Service for five years after completion in the Fall of 1958. Eagle Terminal Tankers, Inc. is a subsidiary of United Tanker Corp. A $25,710,000 financing for another subsidiary of United Tanker was arranged last Summer by F. Eberstadt & Co. for two 32,000-dwt.-ton tankers.

Form Federated Investors

PITTSBURGH, Pa.—Federated Investors, Inc. is engaging in a securities business from offices in the Jenkins Arcade. Officers are Robert G. Word, President; John F. Donahue, Executive Vice-President; Paul Warren, Vice-President; and Ralph Alexander, Secretary. All were formerly with Federated Management Corp.

With Smith, La Hue Co.

(Special to The Financial Chronicle)

ST. PAUL, Minn. — Gary R. Falardeau is with Smith, La Hue & Co., Pioneer Building.

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Report of IBA Investment Company Committee

a hardship on both the trustee and the beneficiary.

In 1958 the industry plans to make every effort to obtain legislation in New York State correcting this unfortunate overnight.

The Committee has kept posted on other legislative developments including the following and would be happy to answer inquiries concerning the details of any of these matters:

(H. R. 7778, S. 2520): "Privilege of Doing Business Fee" Bill.

(H. R. 7698): "Pre-Merger Notification" Bill.

(H. R. 9 & 10): "Jenkins-Keogh" Bills.

(S. 1168): "Fulbright" Bill.

(S. 1601): "Proxy" Bill.

(H. R. 99): A resolution creating the "Legislative Oversight Subcommittee" to study the SEC and other agencies.

(H. R. 8381): "Unintended Benefits and Hardships" Bill.

In the area of taxation, Committee members have been concerned with Treasury Department regulatory proposals concerning:

taxation of investment company capital gains realized but not distributed;

valuation of investment company optional stock dividends;

Subchapter M, pertaining to taxation of investment companies;

valuation of investment company shares for estate and gift tax purposes.

III
Other Regulatory and Legislative Matters

Statement of Policy

All IBA members registered with the NASD have received a revision of the Statement of Policy pertaining to literature used in the sale of Investment Company securities. All partners and sales managers of IBA firms should be sure their sales representatives become acquainted with the revised Statement of Policy in order that they may conduct their business in accordance with accepted standards.

Variable Annuities

The IBA, along with every major group concerned with the securities business, has adopted an official position in opposition to the sale of so-called variable annuities. If sold as its proponents advocate, by insurance agents and in the guise of insurance, this type of common stock investment contract would have tax advantages over other securities and would circumvent the body of Federal and state securities regulation which has proved essential to protect the public investing in equity securities. The IBA State Legislation Committee will, no doubt, present to the membership a full report summarizing variable annuity developments during 1957.

The Investment Companies Committee wishes to supplement that report by urging all members of the IBA—underwriters, retail distributors and banks, particularly those with trust departments—to be alert to the problem of the variable annuity. In 1957, proponents of variable annuities made more attempts than in any previous year to circumvent by changing state insurance laws, the Securities Act of 1933, the Investment Company Act of 1940 and the various Blue-Sky Laws and Regulations. In helping defend the business against this threat of unregulated and tax favored competition, and the public against the sale of unregulated securities, your Committee has concerned itself with watching variable annuity matters which have arisen in various states, but importantly in Connecticut, Massachusetts, New Jersey, West Virginia and the District of Columbia.

IV
Public Information and Education

Seminar on Investing Banking

A steady growth in the number of IBA member firms offering investment company shares to their clients, has produced a demand for expanded coverage of investment company topics in the Seminar on Investment Banking held each spring at the Wharton School of Finance and Commerce. Industry representatives appeared before both the first and second year classes of the 1957 program: The Chairman of the Committee and the Executive Director of the National Association of Investment Companies met with the first year class to discuss the investment company business in its relationship to other financial institutions; the current President of the NAIC spoke before the second year class on services institutional investors seek from investment bankers.

Response from students to this expanded discussion prompts your Committee to recommend that an investment company lecture be included in the curriculum for each of the three classes in future Seminars. Should this proposal be acceptable, the Committee would, of course, be quite willing to prepare topical outlines for each lecture and to provide experienced lecturers.

Visual Education Aids

Visual education aids are now available for all IBA members through the National Association of Investment Companies. The Public Information Program of that organization is aiming to create better public understanding and knowledge of the investment company business. That committee has been very cooperative with the IBA Committee in assuring that IBA members are informed of new informational materials as they become available. Three visual aids for education are now available.

In June 1957 an eight minute, 16-millimeter, sound, animated motion picture in Technicolor titled "The Hope That Jack Built" was released to the public and is currently being shown to audiences in motion picture theaters throughout the country. Already several hundred thousand have viewed the film; during the winter, prints will be released also for use by local television stations. In addition, prints are available to the industry at a modest cost ($49) or on a rental basis from NAIC.

A 16-millimeter, black and white, sound motion picture produced with the cooperation of the U. S. Treasury Department and the Department of Justice entitled "We Did It Ourselves" continues to be popular with television stations and is available at a cost of $15 to IBA members for church, club, and adult education audiences. To date over 25 million have viewed this film.

A sound, slide film narrated by John Cameron Swayze has recently been released and provides an ideal visual aid for adult public groups and for preliminary training of new investment company personnel.

Publications and Booklets

Many information-educational booklets are now available to you. These include "Investment Company Shares—An Aid to Bankers and Trust Officers," "7 Reasons for Investing in Mutual Funds," "The Story of Investment Funds and You," and "Investing Made Easy," all of which may be obtained from the NAIC. Other informational publications are now in preparation. The Education Committee of the IBA have also received many interesting and worthwhile brochures regarding investment companies created by IBA member firms.

Other Information-Education Activities

The Public Information Program of the NAIC is becoming more extensive each year. In 1957 it has encompassed the following matters in addition to those described above:

Participation in the program of the Joint Committee on Education of the Securities Business;

Appearances on television by industry spokesmen in Chicago, Philadelphia and St. Louis;

Regular monthly news releases plus a monthly "clipsheet" for editors, each issue containing six or seven news stories;

Release of a special comprehensive "Press Information Kit";

Cooperation with magazine writers in connection with articles appearing in "The Dental Student Magazine," "This Week Magazine" "Challenge" and "Grit";

Editorial assistance to text authors, students and teachers;

Cooperation through instructing current classes in City College of New York's full credit course on investment companies;

Response to more than 200 letter requests for information each month.

A Look Ahead

The investment company business has become a major financial institution. Increased stature carries with it increased responsibilities not only for the individual companies in relation to their shareholders, but also for the industry and the retail distributors of their shares in relation to the public. It seems important that this Committee alert the membership to these enlarged responsibilities.

Investment company shares serve well in meeting the long term investment needs of a variety of investors. They are not intended to serve as the sole element in an investor's financial planning, as a substitute for life insurance, or savings bonds or savings accounts or other securities. There are many people who, because of personal circumstances, should not invest in equity securities of any kind, including investment company shares. For these reasons it is

vital in the public interest that investment company shares be sold properly to the right people with full disclosure of the risks as well as of the potential benefits of such investments.

Proper selling, in all divisions of the securities business, requires salesmen who are not only well informed as to their product but who are also well trained in selling. It is a fact, of course, that many security sales are made other than through the banking and brokerage organizations which make up the membership of the IBA. If the IBA, however, is to play the role properly to be expected of it, it must make every effort in its own selling activities to provide a thoroughly trained sales personnel to represent the securities business to the securities buying public.

The entire securities business is dependent, for its continued existence and growth, upon a public confident of its integrity. Investment companies, no less than any other element of the securities business, can merit the public confidence only through a continuous effort to help investors meet their needs and achieve their long-term financial goals.

Respectfully submitted,

INVESTMENT COMPANY COMMITTEE

Charles F. Eaton, Jr., Chairman
Eaton & Howard, Inc., Boston

Edward S. Amazeen
Coffin & Burr, Inc., Boston

Herbert R. Anderson
Distributors Group, Inc.
New York

Curtis H. Bingham
Bingham, Walter & Hurry, Inc.
Los Angeles

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Calvin Bullock, Ltd., New York

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First of Michigan Corp., Detroit

Paul A. Just
Television Shares Management Corporation, Chicago

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Hugh W. Long & Co., Inc.
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Massachusetts Life Fund Distributors, Inc., Boston

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Vance, Sanders & Company
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The Parker Corporation
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Harry I. Prankard 2nd
Lord, Abbett & Co., New York

Albert C. Purkiss
Walston & Co., Inc., New York

Herman J. Sheedy
McDonald & Co., Cleveland

Charles M. Werly
Putnam Fund Distributors, Inc.
Boston

Carlton P. Wilson
Robert W. Baird & Co., Inc.
Milwaukee

Harold H. Wylie
J. M. Dain & Co., Minneapolis

Henry J. Zilka
Zilka, Smither & Co., Inc.
Portland

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Report of IBA State Legislation Committee

have included a "variable annuity" option.

In New Jersey bills to authorize insurance companies to issue and sell "variable annuities" have passed the Assembly (as they did in 1956) and are now pending before the Senate Business Affairs Committee.

In Connecticut a hearing was held on March 21 on House Bill 1177 which would have amended the Connecticut Securities Act to define variable annuities as securities so that they would be subject to regulation under the state securities act. The bill was referred to the Legislative Council for further study. Connecticut House Bill 1427 would have authorized the establishment of a company under the insurance laws and subject to regulation by the Insurance Department with authority to issue life insurance and variable annuity contracts. This bill was also referred to the Legislative Council for further study.

In Massachusetts hearings were held on April 30, May 1 and May 2 by a Legislative Study Commission on House Bill 1560 which would permit life insurance companies to establish segregated accounts invested in equity securities for variable annuity contracts. The Commission concluded to continue study of the bill and other proposals advanced at the hearing.

III
Gifts to Minors

Acts on gifts to minors are now effective in 39 jurisdictions in the United States.

The Uniform Gifts to Minors Act, with some modifications in certain states, is now effective in the following 27 states:

Arizona; Arkansas; Connecticut; Delaware; Florida; Idaho; Indiana; Kansas; Maryland; Minnesota; Missouri; Montana; Nebraska; Nevada;

New Hampshire; New Mexico; North Dakota; Oklahoma; Pennsylvania; South Dakota; Tennessee; Texas; Utah; Vermont; West Virginia; Wisconsin; Wyoming.

The "Model Act" for gifts to minors, which was used prior to approval of the Uniform Act is in effect in the following:

California; Colorado; District of Columbia; Georgia; Michigan; New Jersey; New York; North Carolina; Ohio; Rhode Island; South Carolina; Virginia.

The model act applied only to gifts of securities, whereas the new Uniform Act covers gifts of securities and **money**. A problem has been encountered in some states where the model act has previously been adopted because the adult must first (1) purchase the securities and then (2) make the gift, so that some transfer agents have held that there are two taxable transfers (1) when the securities are sold to the adult and (2) when the securities are transferred from the adult to the custodian for the minor. Under the Uniform Act, which authorizes a gift of a security or **money**, the donor may give money to a custodian for a minor and the custodian may then purchase securities for the minor, so that there is only one transfer of securities. In states where the gifts to minors act applies only to securities, it would be desirable to amend the Act so that it applies also to gifts of money.

Tax considerations in connection with gifts to minors should also be carefully noted:

(a) The Internal Revenue Service has ruled that a gift under the model law was a completed gift at the time of the transfer and qualified for the annual gift tax exclusion of $3,000 ($6,000 for a married couple) and it appears that the same ruling would apply under the Uniform Act.

(b) The Internal Revenue Service has held that regardless of the relationship of the donor or of the custodian to the donee, income derived from property transferred under the Act which is used in the discharge or satisfaction, in whole or in part, of a legal obligation of any person to support or maintain a minor is, to the extent so used, taxable to such person. To the extent that income derived from the property in question is not so includable in the gross income of the person obligated to support or maintain the donee, such income is taxable to the donee.

(c) The Internal Revenue Service has ruled that the value of property transferred by a donor to himself as custodian for a minor donee, pursuant to the provisions of the Model Custodian Act, is includable in the donor's gross estate for Federal estate tax purposes in the event of his death while acting as custodian and before the donee attains the age of 21 years. It appears that the estate tax consequences might be avoided by appointing as custodian some person other than the donor, preferably someone who is under no duty to support the donee.

IV
Legal Investment Laws

Important amendments this year to the Legal Investment Laws of Alabama, Iowa, Maine, Minnesota, Missouri, New Hampshire, New York, Oklahoma and Wisconsin are summarized in Appendix B.

V
Security Transfers by Fiduciaries

A Model Fiduciaries' Securities Transfer Act was adopted this year in Illinois, Connecticut and Delaware. This Act is designed to permit companies to transfer stocks in estates and trusts as rapidly as other stocks by minimizing the documentary problem. In general, the Model Act provides that a corporation making a transfer of a security upon assignment by a fiduciary:

(a) May assume without inquiry that the assignment, even though to the fiduciary himself or to his nominee, is within his authority and capacity and is not in breach of his fiduciary duties,

(b) May assume without inquiry that the fiduciary has complied with the laws of the state having jurisdiction of the fiduciary relationship, including any laws requiring the fiduciary to obtain court approval of the transfer, and

(c) Is not charged with notice of and is not bound to obtain or examine any court record or any recorded or unrecorded document relating to the fiduciary relationship or the assignment, even though the record or document is in its possession, except that, if the security is not registered in the name of the fiduciary, the corporation shall obtain a copy of a document showing his appointment and, of court appointed, certified by the clerk of the appointing court within 60 days before the date of transfer, but the corporation is charged with notice of only that part of the document which provides for the appointment.

Under these provisions an executor or administrator would need to submit only his probate certificate to transfer securities held in the estates in the name of the decedent.

It should be noted that a Committee of the National Conference of Commissioners on Uniform State Laws currently is drafting a proposed Uniform Act "For the

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Report of IBA State Legislation Committee

Simplification of Security Transfers," and that there are wide differences between the latest published drafts of this proposed uniform act and the Model Fiduciaries' Securities Transfer Act.

VI
Unsolicited Agency Transactions

The securities acts in many states (including Illinois, Indiana, Kentucky, Louisiana, Ohio, Oregon, Texas and Virginia) specifically exempt unsolicited agency transactions from securities registration. The burden of proving an exemption is ordinarily upon the person claiming the exemption so that a dealer, relying on the exemption for unsolicited agency transactions in executing orders for securities which are not registered and are not otherwise exempt, has the burden of proving that the transaction was unsolicited. In some other states where there is on specific exemption for agency transactions, dealers assume that unsolicited agency transactions are not subject to the securities registration requirements of the state securities act.

We recommend that any firm relying on an exemption for unsolicited agency transactions (or assuming that unsolicited agency transactions are not subject to the securities registration requirements) in the securities act of any state in which it does business, consider obtaining for their files and preserving some written proof that such transactions are unsolicited.

VII
Exemptions for Municipal Bonds and Sales to Institutional Buyers

We want to call attention of members to the Digest of Exemptions Under State Blue Sky Laws for (1) State and Municipal Securities and (2) Sales to Institutional Buyers. Copies of this Digest were recently mailed to all IBA member firms, and additional copies are available on request from the IBA.

VIII
Cooperation With State Securities Commissioners

The Annual Meeting of the National Association of Securities Administrators was held in Santa Fe, New Mexico, on Oct. 6-9, and representatives of the IBA attended the meeting.

Many of the amendments to state securities acts adopted this year were made possible through close cooperation between the securities commissioner of the state in question and representatives of the investment banking industry. We appreciate the close cooperation which we have received from the state securities commissioners.

In several Groups of the IBA, members of the Legislation Committee meet informally during the year with the securities commissioner of the state or states in their Group to discuss problems under the state securities act. In many cases there are no immediate problems, but the meetings establish a cooperative working relationship. We recommend that such meetings be held occasionally in all Groups.

IX
Plans for Next Year

Although next year is the so-called "off" year in state legislation because the Legislatures of many states are not in regular session, important legislative proposals are being considered in many of the states where the Legislatures meet in 1958. Also, most of the preliminary work should be done in 1958 on legislative proposals which are to be submitted to Legislatures in 1959. Whenever you contemplate amendments to the laws of states in your Group, particularly state securities acts, please remember that IBA Counsel are prepared to draft the amendments and memoranda in support of the desired amendments and to participate in conferences with the appropriate state officials.

We welcome comments or suggestions regarding the activities of the Committee.

Respectfully submitted,

STATE LEGISLATION COMMITTEE

Gilbert H. Osgood, Chairman
Blunt Ellis & Simmons, Chicago
Gustave A. Alexisson
Granbery, Marache & Co. New York
Walter A. Bayer
F. J. Winckler Co., Detroit
Harry Beecroft
Beecroft, Cole & Co., Topeka
Henry J. Blackford, Jr.
A. M. Law & Co., Inc. Spartanburg
Robert Z. Bronn
Kalman & Co., Inc., St. Paul
Gerald F. Brush
Brush, Slocumb & Co. Inc. San Francisco
W. W. Keen Butcher
Butcher & Sherrerd, Philadelphia
John W. Clarke
John W. Clarke & Co., Chicago
John F. Curley
Paine, Webber, Jackson & Curtis, New York
Stanley R. Dickover
Elworthy & Co., San Francisco
Ralph G. Elam
Sweney Cartwright & Co. Columbus
John B. Ellis
Courts & Co., Atlanta
Sherman Ellsworth
Wm. P. Harper & Son & Co. Seattle
Arthur H. Haussermann
Vance, Sanders & Co., Boston
Edde K. Hays
Dean Witter & Co., Chicago
Wilbur E. Hess
Fridley, Hess & Frederking Houston
Carl H. Houseworth
The Columbian Securities Corp. Topeka
Fred W. Hudson
Ball, Burge & Kraus, Cleveland
William L. Hurley
Baker, Simonds & Co., Detroit
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McDaniel Lewis & Co., Greensboro
Quitman R. Ledyard
Equitable Securities Corp. Nashville
Edwin A. Long
Russell, Long & Co., Lexington
Richard H. Martin
Pacific Northwest Co., Portland
W. Bruce McConnel, Jr.
Singer, Deane & Scribner Pittsburgh
Donald A. Meyer
Foster & Marshall, Seattle
Joseph J. Muldowney
Scott & Stringfellow, Richmond
Paul L. Mullaney
Mullaney, Wells & Co., Chicago
George A. Newton
G. H. Walker & Co., St. Louis
Charles C. Pierce
Rauscher, Pierce & Co., Inc. Dallas
Robert A. Podesta
Cruttenden, Podesta & Co. Chicago
Malcolm F. Roberts
Garrett-Bromfield & Co. Denver
Robert O. Shepard
Prescott, Shepard & Co., Inc. Cleveland
Harry Theis
Albert Theis & Sons, Inc. St. Louis
William J. Wallace
Mellon National Bank & Trust Company, Pittsburgh
Elbridge S. Warner
Hayden, Miller & Co., Cleveland

APPENDIX A
Amendments to State Securities Acts

ARKANSAS

Section 67-1203 of the Arkansas Securities Act was amended effective June 13, 1957, by adding thereto a proviso that in all cases which an insurance company makes application for the registration and sale of its securities under the Act the Insurance Commissioner "shall have joint powers with the Bank Commissioner in approving or disapproving the registration and sale of such securities and in the making of rules and regulations in connection with the sale of such securities and to supervise and enforce the provisions of this Act in the registration and sale of such securities."

CALIFORNIA

The California Corporate Securities Law was amended effective 90 days after adjournment of the Legislature as follows:

(1) Subdivision (i) of Section 25100 was amended to delete the exemption for securities which have been certified as a legal investment for trust companies under the laws of the state.

(2) Sections 25516 and 25517 were added to authorize the Commissioner to issue a "negotiating permit," to permit the offer, negotiating or taking of subscriptions for the sale of securities upon the filing of a verified application; such such permit shall be conditioned to the effect that none of the securities shall be sold or issued, nor shall any consideration be received or accepted in connection therewith, until a permit shall have been applied for and issued.

(3) A new section was added to authorize an issuer to enter an agreement to sell securities of its own issue to (a) licensed brokers or (b) specified types of institutional buyers; provided, the agreement states that none of the proposed purchasers is obligated to pay unless and until the company has obtained from the Commissioner a permit authorizing the sale of the security.

COLORADO

A new "Fraudulent Practices Law," "Securities Law" and "Investment Contract Law" were adopted effective April 24, 1957. These new laws embody substantially the provisions of the previous laws with the following principal changes:

(1) Section 125-1-4 authorizes registration by "coordination" for any securities for which a registration statement has been filed under the Federal Securities Act of 1933 in connection with the same offering.

(2) Section 125-1-13 (exempt securities) eliminates the previous exemption for securities issued or guaranteed by concerns listed and rated in any standard manual of securities published and generally circulated for at least five years prior to the sale; adds a new exemption for securities sold to a bank, savings institution, trust company, insurance company, investment company or other financial institution or institutional buyer or to a broker or dealer; and adds a new exemption for transactions pursuant to offers to existing security holders if certain conditions are met.

(3) Section 125-1-14 changes the definition of "offer to the public" by reducing the number of persons who, may be solicited in a non-public offering.

(4) Section 125-2-3 (relating to the registration of dealers and salesmen) provides that (a) the Commissioner shall require a minimum capital for registered dealers or shall require registered dealers to post surety bonds in the amount of $5,000 and may determine their conditions and (b) every dealer shall make and keep such accounts, books and other records as the Commissioner may by rule prescribe and shall file such financial reports as the Commissioner may by rule prescribe.

FLORIDA

A provision was added to the Florida Securities Act effective Aug. 7, 1957, to provide that whoever in any matter within the jurisdiction of the Florida Securities Commission, knowingly and willingly and with intent to defraud falsifies, conceals or covers up a material fact or makes any false, fictitious or fraudulent statement or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement, shall be fined not more than $10,000 or imprisoned not more than five years or both.

Subsection (2) of Section 517.12 (relating to the registration of dealers and salesmen) of the Florida Securities Act was amended effective Oct. 1, 1957, by adding a provision that the Commissioner may require applicants for license as a dealer or as a salesman to submit to and pass successfully an oral or written examination to determine the applicant's qualifications and competency to engage in the business of dealing in and selling securities as a dealer or as a salesman.

GEORGIA

Although the securities act adopted in Georgia effective Feb. 26, 1957, purports to be a complete new securities act, it actually makes only the following changes

in the Georgia Securities Act of 1953:

(1) Section 1(c) defines a "limited dealer" who is only authorized to sell or offer for sale a certain issue or a certain class of securities; and Section 4 authorizes the registration of "limited dealers."

(2) Section 1(i), defining "security," is amended by adding a provision that security "shall not mean any insurance or endowment policy or annuity contract under which an insurance company promises to pay a fixed number of dollars either in a lump sum or periodically for life or some other specified period." The exemption for securities issued by an insurance company subject to supervision by an agency of the state is eliminated from the classes of exempt securities.

(3) Where the previous Act authorized the registration of all non-exempt securities by notification effective when filed, the new Act (a) authorizes under Section 3(a) the registration of securities meeting specified requirements by notification effective when filed (the standard for eligibility for such registration is taken from the new Uniform State Securities Act); (b) requires under Section 3(b) the registration of all other non-exempt securities by qualification which is not effective until the Commissioner so orders; and (c) provides that when the sale of registered securities is completed, it shall be the duty of the person who filed the registration statement to notify the Commissioner in writing within 30 days.

(4) Section 4(b) of the new Act authorizes the Commissioner to require as a condition of registration as a salesman that the applicant pass a written examination as evidence of knowledge of the securities business.

(5) The fee for initial registration of dealers in raised from $50 to $250, but the fee for renewal of dealer registration remains at $50. The fee for initial registration of a limited dealer is set at $100, and the renewal fee for such registration at $50.

(6) Section 6(j) exempts the sale of securities not involving an underwriting to not in excess of 25 persons (not including sales to persons in other exempt transactions), provided (i) such securities are purchased for investment and not for distribution and (ii) the issuer makes written request to the Commissioner that the sale be exempted and the Commissioner approves the request.

(7) The last paragraph of Section 11 adds a new provision declaring it to be unlawful to represent that filing of a registration statement or the registration of any security or the existence of an exemption for any security means that the Commissioner has passed in any way upon the merit of such security or has recommended or given approval to it.

(8) A new provision is added in Section 12 to authorize the Commissioner, when a person has engaged, is engaging or is about to engage in acts or practices prohibited by the Act or an order of the Commissioner or declared to be illegal, to issue an order if he deems it appropriate in the public interest or for the protection of investors, prohibiting such person from continuing such action or practice, subject to the right of such person to a hearing.

IDAHO

Section 26-1816 of the Idaho Blue Sky Law was amended effective May 15, 1957, to provide that the law shall apply to companies engaged in "development or production of gas or oil."

IOWA

The following amendments to the Iowa Securities Act became effective July 4, 1957:

(1) Subdivision (5) of Section 502.5 was amended to allow use of certified mail instead of registered mail for notices to a stock exchange of withdrawal of the exemption accorded the exchange.

(2) Section 502.9 was amended to require that copies of process or pleading served on the Commissioner of Insurance be forwarded by certified mail to the principal officers of the issuer against which the process or pleadings are directed.

KANSAS

A complete new securities act was adopted in Kansas effective July 1, 1957. This new act is based in large part on the modified Uniform State Securities Act and makes many desirable improvements over the present Kansas Securities Act, including the following:

(1) It provides that securities for which a registration statement has been filed under the Federal Securities Act of 1933 in connection with the same offering may be registered by **coordination**, a registration procedure from the new Uniform Act designed to coordinate registration of securities under state and Federal Acts.

(2) It permits offering, prior to the effective date of registration, of securities for which registration statements have been filed under both the state act and the Federal Securities Act of 1933 if no stop order is in effect under either Act.

(3) It provides an exemption for sales of outstanding securities by or through a registered broker-dealer if specified information regarding the issuer of such securities is available in Moody's Manual, Standard & Poor's Manual, Fitch's Manual or any recognized securities manual approved by the Commissioner.

(4) It exempts any non-issuer transaction by a registered broker-dealer pursuant to an unsolicited order to offer to buy.

(5) It authorizes the Commissioner to require that applicants for registration as a broker-dealer or agent pass a written examination as evidence of knowledge of the securities business.

MINNESOTA

The Minnesota Securities Act was amended effective April 21, 1957, as follows:

(1) Section 80.07 (providing for the unlimited registration of securities) was amended to provide that it applies "both for initial offering and secondary trading."

(2) Section 80.12 (relating to the licensing of brokers and dealers) was clarified by adding a provision to except from the dealer licensing requirement a dealer licensed as such in another state who sells only to licensed brokers or dealers or to banks or financial institutions under the supervision of an instrumentality or officer of the United States, or of the Commissioner of Banks or of the Commissioner of Insurance of Minnesota.

(3) Section 80.14 was amended to require non-resident investment of advisors, before being licensed, to appoint the Commissioner of Securities as their attorney for service of process.

(4) Section 80.18 (presently requiring approval by the Commissioner of advertising matter "containing or constituting an offer to sell any security required to be registered") was amended to required that no advertising matter "rendering advice with relation thereto" should be circulated or distributed unless and until it has been approved by the Commissioner.

(5) Section 80.20 was amended to provide that the maximum fee of $500 for registration of securities by application shall include the $10 examination fee and the maximum fee of $200 for registration by notification shall include the $5 examination fee.

(6) Section 80.32 (providing fees for registration of oil and gas interests) was amended to provide an examination fee of $10; to raise the minimum fee from $25 to $35; and to provide that the maximum fee of $500 shall include the $10 examination fee.

MISSOURI

The Missouri Securities Act was amended effective Aug. 29, 1957. Some of the principal amendments were the following:

(1) A requirement previously in Section 409.140, that "every registered dealer who intends to offer any security of any issue, registered or to be registered, shall notify the Commissioner in writing of his intention so to do," was **eliminated.**

(2) A definition of "investment advisor" was inserted in Section 409.020, and a provision was included in Section 409.140 to require the registration of investment advisors.

(3) Subsection (6) of Section 409.040 (exempting securities issued and fully listed on stock exchanges approved by the Commissioner) was amended (a) to extend the exemption to any securities approved for listing upon notice of issuance and (b) to extend the exemption to any other security of the same issuer which is "of the same class."

(4) Section 409.050, exempting certain transactions, was amended by adding four new subsections **to exempt:**

(a) In Subsection (9) the sale by any person of securities of its own issue to not more than 15 person in this state during any period of 12 consecutive months if the buyers represent that they are taking for investment and the seller reasonably accepts their representations as true.

(b) In Subsection (10) the issuance, sale or exchange of any security pursuant to a statutory or judicially approved reclassification, recapitalization or reorganization, stock split, consolidation, merger or sale of assets.

(c) In Subsection (11) any sale of a security, other than by the issuer, which has been outstanding in the hands of the public for the past five years if there has been no default within the past three fiscal years in the payment of principal, interest, or dividends on any security of the issuer with a fixed interest, or a fixed maturity or dividend provision, and, where the security does not itself have a fixed maturity or a fixed interest or dividend provision, the issuer during at least three of the five immediately preceding fiscal years has had net earnings per share equal to at least 5% of the selling price, and, in each case, if the security is sold at a price reasonably related to its current market price.

(d) In Subsection (12) offers for sale of or solicitations of offers to buy (but not the acceptance thereof) securities which are the subject of a pending application for registration under this chapter.

(5) Section 409.070 (regarding registration of securities by qualification) was amended (a) to authorize use of a balance sheet as of a date not more than 120 days prior to the date of filing, instead of 90 days prior to such date as previously provided and (b) to make the filing of certain documents discretionary with the Commissioner.

(6) To provide in Section 409.100 that an application for registration by qualification must be accompanied by a consent to service of process only where the application is made by the issuer and the issuer is not domiciled in the state (the Section previously required a consent to service of process with an application for registration by qualification by the issuer **or a registered dealer** if the issuer was not domiciled in the state).

MONTANA

The Montana Blue Sky Law was amended effective March 8, 1957, as follows:

(1) Section 66-2002 was amended to include in the definition of security "oil, gas, or other mineral lease, right, royalty or any interest therein, pre-organization certificate or subscription."

(2) Section 66-2003, exempting securities listed on specified stock exchanges, was amended (a) to extend the exemption to securities approved for listing upon notice of issuance or upon notice of issuance and evidence of satisfactory distribution; (b) to authorize

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extension of the exemption to securities listed or approved "upon any other stock exchange as to which there may be in effect a written designation by the investment commissioner stating that it is in the public interest that securities listed or approved for listing upon such other exchange be exempt"; and (c) to extend the exemption to securities equal in rank to any securities so listed or approved.

(3) Subsection 10 of Section 66-2003, exempting securities of corporations where the holders do not exceed 50 in number, was deleted and new subsections (10) and (11) were added to exempt, under subsection (10), transactions pursuant to offers to not more than 10 persons during any period of 12 consecutive months if the seller reasonably believes that all buyers are purchasing for investment and, under subsection (11), original subscriptions to stock by those who signed articles of incorporation as bona fide incorporators, provided said articles are not signed by more than 15 and no part of such original issue of capital stock is taken for the purpose of public distribution.

(4) Section 66-2007 was amended by adding at the end thereof a new provision that "No permit under this Act shall be issued to any agent or stock broker who has violated this Act or any permit or ruling thereunder or who has been convicted of a felony."

(5) Section 66-2018 was amended to authorize the Commissioner (a) to establish such rules and regulations as may be reasonable or necessary to carry out the purposes and provisions of the Act and (b) whenever he believes that any person has violated or is about to violate any provision of the Act or any rule or license thereunder, to transmit such facts as may be available concerning such violation to the Attorney General whose duty it shall be to apply to the District Court of Lewis and Clark County for an order enjoining such person from continuing such violation.

(6) Section 66-2023, providing penalties for false entries of statements, was amended to provide that a person shall be deemed guilty of a felony if he "in any application to the commissioner, or any proceeding before him, or in any examination, audit, or investigation made by him or his authority, knowingly makes any false statement or representation, or who, with knowledge of its falsity, files or causes to be filed in the office of the commissioner any false statement or representation concerning such company or stock-broker or the property which it then holds or proposes to acquire, or concerning its financial condition or other affairs, or concerning its proposed plan of business, or who in connection with any transaction or transactions involving any offer to sell or to buy securities, or any sale or purchase of securities, including any securities exempted under Section 66-2003, directly or indirectly, knowingly or wilfully employs any device, scheme, or artifice to defraud, or makes any untrue statement of material fact, or omits to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or engages in any transaction, practice, or course of business which operates or would operate as a fraud or deceit." The amendment also raises the minimum fine on conviction from $200 to $500.

(7) Section 66-2024, providing penalties for violation of the Act, was amended to provide that a person shall be deemed guilty of a felony if he "shall knowingly or wilfully, directly or indirectly offer for sale, or negotiate for the sale of or sell, issue, or cause to be issued any security contrary to the provisions of this act, or in nonconformity with a permit of the commissioner authorizing the same, or which applies the proceeds from the sale thereof, or any part thereof, to any purpose other than the purpose or purposes, if any, specified in such permit, or to any purpose specified in such permit in excess of any amount limited in such permit to be used for such purpose, or who, with knowledge that any security has been issued, in violation of any provision of this act, or regulations thereunder, sells, or offers the same for sale, or who wilfully violates, or fails, omits, or neglects to obey, observe, or comply with any order, permit, decision, rule, regulation, demand, or requirement, or any part of provision thereof, of the commissioner under the provisions of this act, or who with one or more other persons conspires to violate any permit or order issued by the commissioner or any of the provisions of this act." The amendment also raises the minimum fine on conviction from $100 to $500, the minimum prison sentence from 90 days to one year and the maximum prison sentence from one year to 10 years.

NEBRASKA

The Nebraska Securities Act was amended effective May 27, 1957, as follows:

(1) Section 81-309 and 81-310, relating to the licensing of salesmen, were amended to remove the authority of issuers to appoint salesmen to sell or solicit the sale or exchange of securities (now only brokers may appoint such salesmen).

(2) Section 81-309 was amended to increase from $5 to $10 the filing fee for original or renewal application for a salesman's permit.

(3) Section 81-337 providing a filing fee for brokers (previously ranging from $25 to $200 plus $25 for each salesman in excess of 40) was amended to provide a flat fee of $50 for each broker's original or renewal application for a broker's permit.

NEW MEXICO

The New Mexico Securities Act was amended effective June 7, 1957, as follows:

(1) Subsection (h) was added to Section 48-18-17 to define "investment adviser."

(2) Section 48-18-18 (relating to administration of the Act) was amended by adding three new subsections as follows:

(a) Subsection (f) authorizes the Commissioner to "make any rules or regulations and issue such orders as he deems necessary to effectuate the purposes of the Act."

(b) Subsection (g) authorizes the Commissioner by rule or order to require as conditions of registration of any issue (1) that any security issued within the past three years or to be issued to a promoter for a consideration substantially different from the public offering price, or to any person for a consideration other than cash, be deposited in escrow and (2) that proceeds from the sale of the registered securities be impounded until the issuer receives a specified amount.

(c) Subsection (h) gives the Commissioner jurisdiction, upon written application, payment of a filing fee of $25 and submission of such data as may be necessary, to determine whether or not a particular security or transaction is exempt from the registration requirements of the Act.

(3) Section 48-18-19 (which previously provided for the registration by notification of all securities except mining or oil securities or investment fund shares) was amended to provide that:

(a) only securities meeting certain requirements may be registered by notification.

(b) securities for which a registration statement has been filed under the Federal Securities Act of 1933 may be registered by coordination.

(c) all other securities (except mining or oil securities or investment fund shares) shall be registered by qualification.

(4) Section 48-18-20 (relating to the registration of dealers and salesmen) was amended to require the registration of investment advisers; to authorize the Commissioner by rule to require a minimum capital for registered dealers or to prescribe a ratio between net capital and aggregate indebtedness; and to increase the registration fee for salesmen from $5 to $10.

(5) Section 48-18-21 (exempt securities) was amended by adding a new exemption for investment clubs if they meet specified conditions.

OREGON

The Oregon Securities Act was amended effective 90 days after adjournment of the Legislature as follows:

(1) Subsection (7) of Section 59.110 (exempting subscriptions to capital stock for the purpose of qualifying a corporation to organize in the first instance or interests in a partnership where the person solicited do not exceed 25 and the persons who actually subscribe do not exceed 10) was expanded to include pre-organization subscriptions to securities issued or to be issued by any person, corporation, trust, partnership, limited partnership, cooperative association, joint venture or unincorporated association.

(2) Section 59.120 (exempt transactions) was amended by rearranging the subdivisions thereof and by adding three new subsections to exempt:

(a) Sales to specified types of institutional buyers.

(b) Sales by a registered dealer of securities theretofore sold and distributed to the public if:

(i) the sales are at prices reasonably related to the current market price of the securities at the time of sale (or, if acting as agent, the commission is not in excess of usual and customary commissions with respect to securities and transactions having comparable characteristics);

(ii) the securities do not constitute an unsold allotment to or subscription by such dealer as a participant in the distribution of such securities by the issuer or by or through an underwriter; and

(iii) specified information regarding the issuer is contained in Moody's, Standard and Poor's or Fitch's Manual, or any other recognized securities manual approved by the Commissioner.

(c) Any offer of a security for which registration statements have been filed under both the Oregon Securities Law and the Federal Securities Act of 1933, if no stop order or refusal order is in effect and no public proceeding or examination looking toward such an order is pending.

(3) Subsection (3) of Section 59.150 was amended to change the registration fee in registering securities by notification or qualification for amounts above $100,000 from (a) $10 for each additional $100,000 or fraction thereof (up to a maximum fee of $500) to (b) 1/20 of 1% on the next $200,000 or fraction thereof and $25 per $100,000 or fraction there-

of on the aggregate amount above $300,000 (up to a maximum fee of $500).

(4) Section 59.180 was amended (a) to raise the fee for renewal of registration of securities from $10 to $25 for all securities and (b) to delete special provisions for a $25 fee for investment contracts involving a continuous offering and an exemption of co-operatives from payment of a renewal fee.

(5) Section 59.200, authorizing registration for resale of any security which has been issued and is outstanding in the hands of the public, was amended to clarify that securities may be registered for resale "by the owner thereof" as well as by registered dealers.

TENNESSEE

The Tennessee Securities Act was amended effective March 1, 1957, as follows:

(1) Section 48-1611 was amended to provide that the effective date of registration of securities shall be (a) for securities registered under the Federal Securities Act of 1933, "if a notice of intent to sell in preliminary form and a prospectus in preliminary form shall have been filed with the Commissioner at least 10 days prior thereto, or on such earlier day as the Commissioner may by order specifically authorize," when there shall have been filed with the Commissioner the required notice, prospectus, and other prescribed items and (b) for all other securities "when the Commissioner so orders" after there shall have been filed a notice of intent to sell, a prospectus and the other required items.

(2) Section 48-1613, specifying the grounds for refusing to register securities, was amended by adding to those grounds "that the proposed plan of business of the issuer appears to be unfair, unjust or inequitable" and by itemizing a list of so-called "standards and factors" to be taken into consideration in determining what is "unfair, unjust or inequitable."

Section 48-1615, itemizing the grounds for revocation of registration of securities, was amended by adding as a ground for such revocation a finding that "the proposed plan of business appears to be unfair, unjust or inequitable."

(3) Section 48-1614 was amended to provide that the fee for renewal of registration of investment fund shares shall be $100 for the first class of securities registered, plus $10 for each additional class (the previous registration renewal fee was $1) and to provide for all other securities a registration renewal fee of $15.

TEXAS

A complete new Texas Securities Act was adopted effective Aug. 22, 1957. The previous Texas Securities Act and the Texas Insurance Securities Act were repealed.

UTAH

Section 61-1-15 (relating to the registration of dealers and salesmen) of the Utah Securities Law was amended effective May 14, 1957, as follows:

(a) a provision was added that applicants for original registration as a dealer (except an issuer) shall be required to pass to the Commission's satisfaction a written examination which shall be designed by the Commission to test the applicant's general knowledge of the securities business and to require salesmen to pass an examination prescribed by the Commission.

(b) a provision was added that if a license is not renewed on or before Jan. 15 of each year the licensee shall be placed upon an inactive roll, but the license shall be renewed without examination upon payment of the annual fee for the current year and a reinstatement fee of $10.

WISCONSIN

The following amendments to the Wisconsin Securities Act became effective July 18, 1957:

(1) Section 189.15 (previously providing that the registration of all securities expired in five years) was amended to provide that the registration of securities of an investment company registered under the Investment Company Act of 1940 (other than a closed-end investment company or any person issuing periodic payment plans or face-amount certificates) will expire two years from the date of registration.

(2) Section 189.29 (regarding fees) was amended to provide a new method of computing the filing fee for securities of investment companies.

The following amendments to the Wisconsin Securities Act became effective on July 26, 1957:

(1) Subdivision (1) of Section 189.06 (exempting securities issued or guaranteed by any foreign government) was amended also to exempt securities issued or guaranteed by any "combination of foreign governments."

(2) Subdivision (3) of Section 189.06 was amended to exempt securities issued by a corporation operating a motor carrier the issuance of whose securities is regulated by the Interstate Commerce Commission.

(3) Section 189.07 (previously exempting sales by an issuer to a limited number of persons where no compensation was paid for the sale and the total organizational and promotion expenses did not exceed 3% of the aggregate sale price of the securities or $250, which ever was greater), was amended to include attorneys fees in expenses and to raise the dollar limit from $250 to $350.

(4) Section 189.07 (exempt transactions) was amended by adding a new subsection (22) to exempt interests in participating employee savings or profit-sharing plans, if information required by the Securities Department has been filed with it and the Department has advised that the proposed issuance constitutes an exempt transaction.

(5) Subdivision (f) of Section 189.08 (authorizing registration of certain revenue bonds by notification) was amended to permit such registration for parking facility revenue bonds.

APPENDIX B

Amendments to State Legal Investment Laws

This appendix contains summaries of some of the amendments in 1957 to state legal investment laws which are of particular interest to the investment banking industry.

ALABAMA

The law, authorizing Alabama life insurance companies to invest in loans to corporations whose securities have been approved by the State Securities Commissioner, was repealed.

IOWA

Subdivision 4 (a) of Section 511.8 of the Iowa Legal Investment Law for Insurance Companies (authorizing investment of legal reserves in obligations of corporations meeting specified earning requirements) was amended July 4, 1957, to authorize investment in corporate obligations if "at the date of acquisition the obligations are adequately secured and have investment qualities and characteristics wherein the speculative elements are not predominant" (subject to addi-

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tional general requirements of Subdivision (7) of that Section).

MAINE

A provision effective Jan. 1, 1958, provides that fraternal benefit societies shall invest their funds only in such investments as are authorized by the laws of the state for the investment of assets of life insurance companies and subject to the limitations thereon.

MINNESOTA

Section 61.11 of the Minnesota Legal Investment Law for Insurance Companies was amended effective April 25, 1957, to raise from 4% to 7% the amount of admitted assets of a domestic life insurance company which may be invested in stock of other insurance companies and banks.

MISSOURI

A provision was added effective 90 days after adjournment of the Legislature authorizing Missouri Life Insurance Companies to invest their capital, reserve and surplus in common stock of any solvent corporation, organized under the laws of the United States, any state, territory or possession of the United States or of the District of Columbia, provided the corporation's net worth as shown on its balance sheet at the end of the last fiscal year preceding purchase shall have been at least $10,000,000, and cash dividends shall have been earned and paid on its common stock in each of the five fiscal years preceding such acquisition; provided also that all prior obligations or preference stock of such corporation, if any, are eligible for investment under Section 376.300 and such common stocks are registered on a national securities exchange or quoted in established over-the-counter markets.

NEW HAMPSHIRE

Section 411.15 of the New Hampshire Legal Investment Law for Insurance Companies was amended effective July 1, 1957, by adding Subdivision VII to authorize investment in revenue bonds meeting specified requirements.

Section 411.19 of the New Hampshire Legal Investment Law for Insurance Companies was amended effective Juy 1, 1957, to raise from 5% to 10% of total admitted assets the amount which (subject to approval of the Insurance Commissioner) such companies may invest in investments which do not otherwise qualify under the statute.

NEW YORK

Section 81 of the New York Legal Investment Law for Insurance Companies was amended effective April 15, 1957, to authorize reserve investments in corporate obligations which do not otherwise qualify under the statute, not to exceed ½ of 1% of the admitted assets of the insurer as of the preceding Dec. 31.

Section 235 of the New York Legal Investment Law for savings banks was amended effective April 25, 1957, to authorize investments in bonds, debentures or other obligations of any public authority or commission created by the state of New Yok, the average receipts from the operation of which, during the three years immediately preceding the date of investment, after meeting operation and maintenance expenses, were not less than 125% of the maximum annual debt service on the bonds outstanding, and which obligations have not been in default as to principal or interest.

OKLAHOMA

Oklahoma's previous insurance laws were replaced by a new insurance code effective July 1, 1957.

WISCONSIN

Subdivision (1) of Section 201.25 of the Wisconsin Legal Investment Law for Insurance Companies was amended effective June 15, 1957, by inserting a new subsection to authorize investment in shares in mutual funds provided the assets of such mutual funds are invested only in specified classes of securities.

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directly on the activity of the building industry. Although there is a considerable slowdown in residential construction, general construction activity still remains much above the levels of 1952 and 1954. The near-term outlook for asbestos is one of little change next year and of a considerable increase later on which will raise production for 1980 to about double the 1955 figure.

Status of Uranium Mines

The uranium mines are in a very special position. A near-term expansion of profitable operations can be safely predicted for this industry, whereas the long-term future is more uncertain. The government purchase contracts expire in 1962 or 1963 and will possibly be followed by a free market for uranium ore. The huge mineral reserves of uranium mines can, however, provide for several decades of uninterrupted production with good chances of profitable operations.

According to estimates, production of the Canadian Forest industries should nearly double by 1980. The lumber industry suffered in 1957 from the slowdown of demand in its domestic and, especially, its export markets. Whereas the tonnage of pulp and paper produced in the first nine months of 1957 remained practically unchanged from the previous year, the mills operated at a lower rate. Profits of the industry are lower due to the increased premium of the Canadian dollar and to higher wages and freight rates.

The heavy expansion programs of many pulp and paper producers will result in a capacity 10% or more in excess of possible sales for 1958 and 1959. It may be expected that demand will catch up with output in the early 'Sixties but the outlook for the longer term is generally one of growth.

In the fields of heavy as well as light industry Canada is at a serious disadvantage because of the relatvely small extent of her domestic market and the absence of any sizable tariff protection. However, the degree of Canadian self-sufficiency in steel has been increasing and in 1956 Canadian producers supplied 62.2% of the domestic consumption. This ratio will have further improved by 1980 when it is expected that 14 to 16 million tons of steel will be consumed in the country as against 8 million in 1956. However, at the present time the industry is operating below capacity. Near-term recovery will depend on the general level of business, whereas the over-all trend is toward further expansion over the next 25 years.

The above projections are based not only on expected growth of domestic consumption but in a large measure on stronger foreign demand. In particular the expansion of the production of natural gas, oil and iron ore is for a considerable part linked with the growing demand in the United States. The United States market is also expected to absorb larger quantities of non-ferrous metals and forest products, althougn overseas customers will probably also increase their share. Foreign trade, in particular with the United States, will therefore con-

tinue to be an extremely important determinant of the growth and prosperity of the Canadian economy.

Sensitivity in Export Area

In these circumstances it is not surprising that Canadian public opinion is very sensitive about measures which concern the country's exports.

Your surplus wheat disposal program, for instance, has a considerable influence on the difficulties experienced by Canadian wheat sales overseas.

The possibility of increased U. S. tariffs for lead and zinc presents a new, direct threat to Canadian exports to your country and is bound to aggravate the disequilibrium of our balance of trade which in 1956 reached a surplus of imports from the U. S. over exports to your country, amounting to $1,173 million.

There is not the slightest doubt that the growth of commercial intercourse, and not its decrease, will benefit both our countries, whose economies complement each other in so many sectors.

It is not possible to estimate total requirements for capital investment in Canada over the next 25 years. For the oil and gas industry alone these may be of the order of $25 billion during this period. Undoubtedly, as in the past, foreign markets, and in particular the American market, will supply an important part of this huge investment capital, although it is expected that the savings of a larger and more prosperous Canadian population will contribute an increasingly higher percentage of the equity financing.

Under the impact of the high level of capital investments and of personal expenditure on consumer goods and services, the Canadian economy continued to expand in the last 12 months. The rate of progress was, however, slower than in 1956. Gross National Product at annual rates for the first half of the current year was 4% higher than in the corresponding period of 1956, but, compared with the whole of 1956, the progress was less than 3%.

TABLE I

Summary Forecast of the Population of Canada

Assumed Net Immigration—75,000 per Annum

Year	Persons
1955	15,575 000
1960	17,505,000
1965	19,5[illegible],000
1970	21,640,000
1975	23,990,000
1980	26,650,000

Source: "Preliminary Report," Royal Commission on Canada's Economic Prospects, December 1956.

TABLE II

Forecasts of the Gross National Product

(Billions of constant 1955 dollars)

	Assumed Net Immigration —Per Annum— 50,000	75,000	100,000
Productivity factor 2½%*			
1965	38.0	38.7	39.5
1970	46.7	48.0	49.3
1975	56.3	58.2	60.2
1980	67.7	70.3	73.0
Productivity factor 3¼%*			
1965	40.2	41.1	41.8
1970	50.9	52.4	53.9
1975	63.5	65.7	67.9
1980	78.9	82.0	85.2
Average of the above			
1965	39.1	39.9	40.7
1970	48.8	50.2	51.6
1975	59.9	62.0	64.0
1980	73.3	76.1	79.1

*Assumed rate of productivity increase per annum for the business sector.

Note: In 1955, the Gross National Product was $26.8 billion.

Source: "Preliminary Report," Royal Commission on Canada's Economic Prospects, December 1956.

TABLE III

Forecasts of Per Capita Gross National Product

Assumed Net Immigration—75,000 per Annum

Average between the high and low projections (1955 dollars)

	Per Capita Gross National Product Dollars	(1955=100)
1955	1,714	100
1965	2,044	119
1970	2,320	135
1975	2,584	151
1980	2,859	167

Source: "Preliminary Report," Royal Commission on Canada's Economic Prospects, December 1956.

TABLE IV

Forecast of Distribution of Total Output* Among the Various Sectors of the Economy

	1955 Actual		1960 Forecast
Agriculture	12.8%		5.7%
Resource industries (forestry, fishing and trapping, mining, electric light and power)	9.9		15.4
Primary manufacturing	7.3		7.2
Secondary manufacturing	21.6		25.3
Construction	6.5		5.6
Civilian government and community services	10.1		8.0
Transport, storage and communications	8.1	31.8	32.8
Trade, finance and services	23.7		
Total	100.0%		100.0%

*The measure of output used for the purposes of this table is Gross Domestic Product at factor cost.

Source: "Preliminary Report," Royal Commission on Canada's Economic Prospects, December 1956.

Slower Capital Spending

It would not be surprising if capital expenditures in 1958 should show some decline from the exceptionally high figures attained in 1956 and 1957. The overcapacity of production, apparent in some industries, e.g. forest products and metals, will undoubtedly slow down expansion plans. In many fields, however, capital expenditures will continue on a very high level and in particular the natural gas, hydro-electric and uranium mining industries will continue to invest heavily in new facilities. The construction of the St. Lawrence Seaway, due to be opened for navigation in 1959, and many other public works should also require higher expenditures.

Thus, the near-term outlook for our economy depends more than ever on the sustained level of consumer spending. So far this year personal expenditures for goods and services are higher than in any previous period.

In spite of the generally high level of economic activity, corporation profits are this year more than 4% lower than in 1956. Many Canadian industries experience a cost squeeze, under the impact of higher costs, in particular for wages and transportation, and due to their inability to raise prices. The profits of some industries, particularly mining and lumber, were adversely affected by lower output and prices. All export industries were also affected by the higher premium on the Canadian dollar.

The heavy inflow of foreign capital continued in the current year and again outweighed the adverse balance of the current account. For a short time in August the exchange rate for the Canadian dollar was at a record high but later it returned to the levels prevailing earlier in the year.

Nineteen fifty-eight promises to be less favorable than the current year. The problems which face us are more or less similar in both our countries; a probable decrease in capital expenditure which during recent years sustained the economic boom; the fear that consumer spending will drop; and, finally, difficulties caused by the stringency of credit which has reached a degree unknown during the last 25 years.

As far as Canada is concerned, the course of events will be strongly influenced by the economic situation of her principal trading partners, first of all the U. S., but also Great Britain and the other Commonwealth countries. However, the difficulties which await us should not be exaggerated. They will be conquered all the more easily, if the countries of the free world continue their close collaboration, not only on the political but also on the economic plan.

Respectfully submitted,

CANADIAN COMMITTEE

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Dominion Securities Corp. Ltd.
Montreal

John Henry Ratcliffe
McLeod, Young, Weir & Co. Ltd.
Toronto

George P. Rutherford
Dominion Securities Corp.
New York

W. Pearson Scott
Wood, Gundy & Co. Ltd.
Toronto

Arthur S. Torrey
W. C. Pitfield & Co., Ltd.
Montreal

Douglas B. Weldon
Midland Securities Corp. Ltd.
London, Ontario

Continued from page 27

Speaking in Frankest Terms as An Understanding Friend

in World War II were proud to serve under the supreme command of that great man who is today the President of the United States. Canadian forces served side by side with the United States forces in Korea under a Supreme United Nations Commander who was an American. Canadian forces are today standing on guard side by side with the forces of the United States in Europe under the supreme command of the NATO Commander-in-Chief who is an American. Recently the new Canadian Government and the United States Administration took a major step in the consolidation of the air defences of this continent in the creation of a Joint Air Command, with an American in command and a distinguished Canadian Air Marshal as his deputy. This most significant decision is indicative of our confidence in the American nation and our recognition of our interdependence.

In the same spirit we hail the joint statement issued in Washington in October by President Eisenhower and Prime Minister Macmillan. We welcome it as a recognition of the interdependence of the free nations. In the kind of world in which we live no one country, however strong, can now stand alone. We salute the growing understanding evidenced between the United States and the United Kingdom. The Free West has had reason to feel insecure in the face of misunderstandings in past years. The growing proof of renewed solidarity augurs well for freedom. It will not be easy to achieve or maintain scientific superiority without a mingling of effort and understanding on the part of the United States, the United Kingdom, Canada and other faithful allies.

Trade

(a) General

We Canadians are a trading people. In absolute volume we are the fourth trading nation in the world, ranking only after the United States, the United Kingdom and West Germany. Per capita Canadians have a larger share of the external trade of the world than probably any other nation. Canada's trade is running at record levels. In the first nine months of this year it reached a total of $8 billion, a record for the same period. It is two and a half times as much as our external trade in the same period in 1946. External trade running at approximately $10½ billion per annum is a remarkable achievement for 16½ million people. This fact, however, must not be permitted to hide latent weaknesses of long standing in our trading position. These weaknesses give the Canadian Government deep concern, and have prompted it to inaugurate far-reaching policies.

(b) United States

Of that $10½ billion of annual external trade, no less than $7 billion or two-thirds of it is done with one nation, the United States. To a disquieting degree Canada has placed her trading eggs in one basket. For years 73% of Canada's imports from the world have come from the United States while 60% of our exports have gone to the United States. By comparison, with our next largest customer the United Kingdom we do only about 14% of our total external trade. From her we are purchasing approximately 10% of our imports; to her we sell approximately 18% of our exports. The Canadian economy has to a dangerous degree been made vulnerable to sudden changes in the economic climate of the United States and trading policy at Washington.

Another serious weakness in Canada's trading position is our heavy imbalance in commodity trade. Last year Canada incurred a deficit of $848 million in her commodity trade with the world. This was due entirely to a huge imbalance in our commodity trade with the United States. Last year Canada purchased $4,167 million worth of goods from the United States but the United States purchased from Canada only $2,819 million worth of goods. Thus, on commodity trade with the United States, Canada incurred a deficit of $1,348 million. It is true that part of this amount represented the import of capital goods into Canada and that these will swell Canadian production. This fact, however, cannot hide a chronic condition of imbalance of trading between these two countries witn the selling advantage resting always with the United States.

Canada is by far the best customer of the United States. Last year the United States sold to Canada approximately the same amount as it sold to all Western Continental Europe; more than it sold to all Latin America combined; nearly double what it sold to the whole sterling area, including the United Kingdom. I would not argue that trade could or should be balanced bilaterally; indeed, Canada itself has always had substantial surpluses in its trade with some countries and deficits in its trade with others. I do contend, however, that in the face of the large advantages which the United States derives from its trade with Canada the United States has a special responsibility not to damage Canadian export opportunities and to adopt an understanding attitude in cases where Canadian policies touch particular United States interests adversely.

I would argue furthermore that the United States ought to modify policies which impede Canadian sales to the United States. Canada's purchases from the United States in a considerable measure comprise finished manufactured goods. The nature of the United States tariff, however, not unlike others, is such as to discourage the importation of finished products. Much of the total of Canada's sales to the United States consists of raw industrial materials. While we Canadians are glad to have a market in the United States for much of our surplus production of industrial raw materials nevertheless we are not content merely to dig these materials out of our soil for export to other countries to be fabricated there into finished products, many of which we are then invited to buy back. We should like to see the United States Administration and Congress take serious account of the heavy imbalance of the trade between these two countries and also of the way in which United States tariff policies are excluding Canadian finished products from the United States market.

I would not wish to leave the impression that the United States freely admits all our raw products. Our Canadian farmers have been hurt by United States restrictions of imports of Canadian wheat, flour, rye, cheddar cheese, dried skimmed milk, dried buttermilk, flaxseed and linseed oil. Until a short time ago the United States restricted also imports of our barley, barley malt, and oats. Now we are faced with the threat of increased United States tariffs against our zinc and lead. Canadians cannot fail to be deeply disturbed at this prospect.

It is true that in self-defence we have had to protect Canadian producers of a limited list of agricultural products from imports that threatened their livelihood, but there is such a vast difference in the size of the economies of the two countries that the disruption of traditional trading channels has a much more severe effect on Canada than the United States.

The trade between Canada and the United States is the largest carried on between any two countries in the world. It means much more to Canada than it does to the United States. In total that trade is the equivalent of 22% of the gross national product of Canada; it is less than 2% of the gross national product of the United States. It is understandable, therefore, that the trade between the two countries should appear to Americans to be of less consequence than it appears to Canadians. By the same token the United States by adverse trade policies can harm Canada much more than Canada can harm the United States by pursuing policies adverse to United States interests.

I said that I contend that the United States has a special responsibility not to damage Canadian export opportunities abroad. The fact is, however, that the agricultural products surplus disposal program of the United States has very seriously damaged Canadian trading interests and disorganized normal marketing. The Canadian Government is compelled to take a very serious view of these results and the policies which have created them. At the recent meeting in Washington of representatives of the Govern-

ments of both countries we were obliged to register a strong protest against these policies. The United States representatives gave the Canadian Ministers assurances that in all surplus disposal activities they intend to avoid so far as possible interfering with normal commercial marketings and that the barter programme will hereafter be limited. While appreciating these assurances the Canadian Government, however, will continue to regard with an anxious and apprehensive eye fire-sale disposal policies.

U. S. Investment in Canada

I turn now to a subject upon which a certain degree of misunderstanding appears to have existed in the United States. It concerns the attitude of the Canadian Government with respect to foreign investment in Canada.

Canada is currently the world's largest importer of capital. Canada needs capital to develop our resources. Capital from abroad has not been slow to see and grasp the glowing opportunities offered for investment in the development of Canada's resources. Capital from abroad has been entering Canada this year in record volume. The United States has been the principal contributor, but Great Britain, Western Germany, and other countries have also been swelling the total. Gross investment in Canada from abroad exceeds $15 billion. Nearly $12 billion of this total is owned in the United States. Approximately $2¾ billion is owned in the United Kingdom and over $1 billion in other countries, chiefly Western Europe.

We welcome the investment of capital from abroad. We recognize the important role which has been played by capital from abroad in the development of our resources and also in maintaining the momentum of the Canadian economy. As firm believers in the free enterprise system, we intend to continue to create a climate favourable to investment from abroad.

It would be quite impossible to sustain the heavy commodity import deficit which Canada is now incurring in its trade with the United States were it not for the heavy inflow of American capital into Canada.

It is with regret that I say to you that the policies followed by some American investors in Canada have given rise to strong feelings of irritation. Many, perhaps even most, American corporations which have invested in Canada have made a genuine and successful effort to be Canadian and to act in that spirit, but there are many others which through either thoughtlessness or for other reasons, and in some cases perhaps as a result of deliberate policy, have created Canadian resentment. I refer in particular to the policy of some very large United States corporations of establishing subsidiaries in Canada and denying to Canadians any opportunity whatever of participating in the ownership of stock in such companies, especially when they are engaged on a large scale in the development of Canadian resources. We have sought by the creation of tax inducements to encourage such corporations to admit investment by Canadians in the stock of these Canadian subsidiary corporations. We often hear complaints as well that in such relationships the United States parent corporation often excludes the Canadian corporation from selling its products in certain export markets and controls the purchasing policies of the Canadian subsidiary in a manner which consciously diverts its buying away from Canadian sources. We also hear complaints that inadequate efforts are made to train Canadians for advancement to executive status, and that the Canadian subsidiaries are also sometimes unnecessarily discouraged from engaging in research, and that some Canadian subsidiaries are failing to bear their fair share of community philanthropies. These policies of which Canadians complain cannot be cured by any action on the part of the United States Administration. Indeed, I am quite certain they are disapproved of by the Administration of this country. I bring them before you in the hope that in doing so we may assist American investors in understanding the feelings of Canadians in such matters. They are the same feelings as would be entertained by Americans if the positions were reversed. In the interests of good public relations more careful thought should be given to these aspects of investment and management policy.

Investment by Canadians in the United States

I have spoken of United States investment in Canada. Less is normally said about Canadian investment in the United States. It is, however, relatively substantial. At the end of 1956 it amounted to $2½ billion, not including bank balances or Government funds. Thus in proportion to population Canadians have twice as heavy an investment in the United States as Americans have in Canada.

It is one of my tasks and aims to encourage Canadians to save and to invest their savings in the development of the resources of their country.

Canada has been engaged in a heavy programme of capital investment. Our capital expenditures advanced from $5.8 billion in 1953 to an estimated rate of $8.8 billion in 1957. New capital investment this year will constitute approximately 28% of gross national expenditures. This is a very large proportion of total output to be devoted to the construction of new factories, mines, mills, pipelines, public utilities, roads, schools and houses. It represents a rate of capital investment much higher than is the case in the United States and one for which it is difficult to find a parallel anywhere else. Eighty percent of Canada's capital has been coming from Canadian sources. This is the best evidence of the confidence of Canadians in the future of their own country and the attractive investment opportunities it offers. Canadians are firm believers in free enterprise and the future that awaits them in the development of their resources under that system.

Economic Outlook for Canada

No country in all the world offers its people as bright a future as Canada. I do not pretend that every feature of the country's economy is strong or even satisfactory. We have our problems. We have a record wheat surplus to market. Some of our base metals are encountering difficulty in finding profitable markets. Unemployment has been somewhat larger in 1957 than in 1956.

But these weaknesses must not close our eyes to the unchallengeable fact that the Canadian economy is strong. We Canadians are a stable people, not easily swayed from a sound course. We have good reason to be confident. We always encounter seasonal unemployment in the winter in Canada when outdoor construction operations are necessarily curtailed. Our official figures, however, tell a tale of high employment—indeed, record employment for this period of the year. Canadians have reason to congratulate themselves on having more people employed today than have ever been employed at this season of the year before, and on the fact that we have so largely absorbed and assimilated immigration which this year will exceed a quarter of a million persons.

In recent years the Canadian economy like that of the United States has been pursued by the ever-increasing threat of inflation. I confidently say that inflation has been checked. The Consumer Price Index in October rose only 1/10 of 1% in Canada. In most of the cities of Eastern Canada the cost of living in October showed a decline. Money is not as tight as it has been in the two last years. Our Chartered Banks have today $250 million in excess of the prevailing minimum liquid asset ratio. Interest rates, which five months ago were the highest in a generation, have declined rapidly. Last week the Treasury of our country sold Treasury Bills at a rate of 3.51%, the lowest rate for a year. The Bank of Canada interest rate is accordingly 3.76%, likewise the lowest for a year.

The Canadian Government holds an annual Savings Bond Campaign designed to encourage saving by all our citizens and investment in Government bonds, particularly by small investors. The Twelfth Canada Savings Bond Campaign which is still current has established an all-time record of sales, now aggregating $1 billion. To translate this into comparable American terms, this would be the equivalent of raising $15 billion in the United States from the savings of the general public.

There are many other encouraging evidences of strength in the Canadian economy to which reference might be made.

For Canadians this is a time of sober optimism. It is a time for increasing our productivity. It is a time for a balanced outlook. We intend to yield neither to overconfidence nor to lack of confidence. Whatever the future may hold for us we shall face it with realism and courage.

Conclusion

The United States and Canada have a responsibility to be an example to the world. They cannot fail in their common duty to build bridges of understanding and good will. We Canadians give our testimony to the world that we are the free and willing allies of the United States. We respect each other. As governments we do not attempt to interfere with each other. We talk together as neighbours in the friendliest spirit and the frankest terms. Let us bend our united endeavours to remove as far as possible sources of irritation between us.

We Canadians are mindful of the gigantic burdens of world leadership borne by the United States. We wish to see this nation strong, ready, and able to meet the tasks and burdens which destiny and the cause of freedom have laid upon her. In Canada she will always find a staunch, cooperative and understanding friend.

Continued from page 31

Report of IBA Industrial Securities Committee

offerings. Convertible debentures, as previously stated, also provide an important device for raising equity capital.

This report is primarily concerned with two of these methods —common stock rights offerings and cash offerings, but before considering each of these in detail it might be wise to comment briefly on the others.

Although preferred stock is a form of equity, it is certainly not the same thing as common stock. In the first place, the pressure to pay dividends at a fixed rate is much greater in both legal and actual senses. Since the preferred dividend is not deductible for tax purposes, the cost of preferred stock is high relative to the cost of debt. It would seem that preferred stock has some of the disadvantages of debt (for example, claims ahead of common stock) without the advantage of the deductibility of interest payments for tax purposes. Preferred stock, although senior to common stock, does not give the same protection for the investor as debt. On the other hand, certain corporate investors, who are attracted by the 85% tax free nature of dividends to corporate holders, provide a limited market for preferred shares. It is not surprising that preferred stock, which is relatively unattractive to both issuers and investors, has been unimportant in the recent financing of industrial concerns.

As pointed out earlier, a significant portion of the financing with convertible securities is done with the hope of obtaining equity capital today at tomorrow's higher prices. This technique has been the subject of exhaustive research and goes beyond the scope of this report, but the birth and phenomenal growth of the use of the subordinated convertible debenture, together with older forms of convertibles, makes it impossible to ignore this factor of growing importance in the area of equity financing.

"Rights" Offering

Description: A rights offering usually takes the form of an offering of new shares of common stock pro rata to the present group of common stockholders. This method results from the desire on the part of management to give stockholders an opportunity to preserve their proportional voting rights and their proportional interest in the equity. In a number of jurisdictions, there is a legal requirement known as the preemptive right, under which existing stockholders are entitled to this opportunity of maintaining their proportional interest in the corporation whenever new shares are issued for cash.

This objective is accomplished by offering each present stockholder the privilege of purchasing his pro rata share in the new issue at a price somewhat below current market quotations. This privilege of purchasing the new stock is issued to the stockholders of record on a certain date and can be exercised at any time during a prescribed period. The offer is made by issuing to the holder transferable warrants which represent one right for each share of stock owned, and by requiring a certain definite number of rights plus a cash payment (subscription price) for the purchase of each new share.

If the stockholder does not choose to utilize the rights himself, he can sell them to someone else. As long as the subscription price remains below the current market value of the outstanding shares, the rights will have a value, based on the size of the discount and the number of rights necessary to subscribe to one new share.

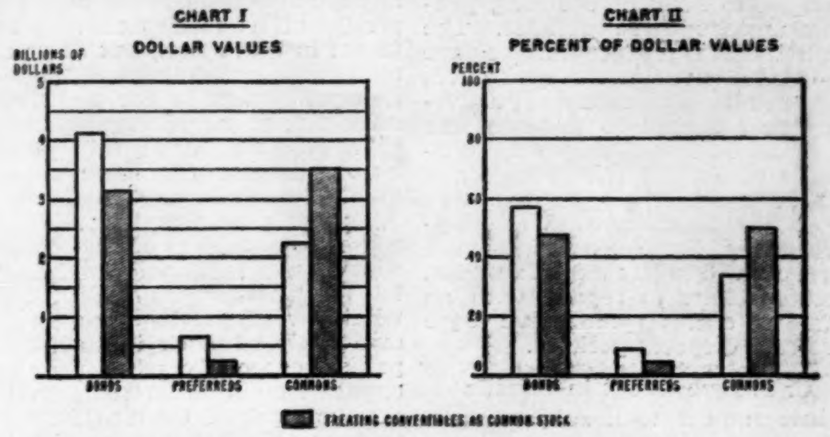
Effect on Stockholder's Investment: When the rights are separated from the shares—the "ex" date in trading parlance — the market value of the outstanding shares will decline, theoretically, by an amount equal to the value of the right. This is a mechanical adjustment made for the convenience of trading in the stock and rights during the subscription period.

The stockholder is not penalized by exercising his rights, provided the company's expansion program is well conceived. If he exercises his rights, he increases his investment and maintains the same percentage interest in the company's equity and voting privileges. On the other hand, if the shareholder chooses not to subscribe, he may sell his rights. By doing this he, in effect, obtains current market value for the shares to which he is entitled to subscribe, since the market value of his rights will represent the difference between the current market value of the shares and the subscription price. His original investment then represents a smaller percentage interest in a larger and stronger company, and should presumably be worth more than if the expansion had not been undertaken.

In essence, then, the rights offering is simply a method of obtaining equity capital which allows the present owners a first opportunity to participate, but provides a secondary method of shifting from these owners to the open market for amounts not supplied by the stockholders. The capital thus actually comes from both the original owners and the open market, the relative amounts depending on how much the present stockholders wish to increase their investments.

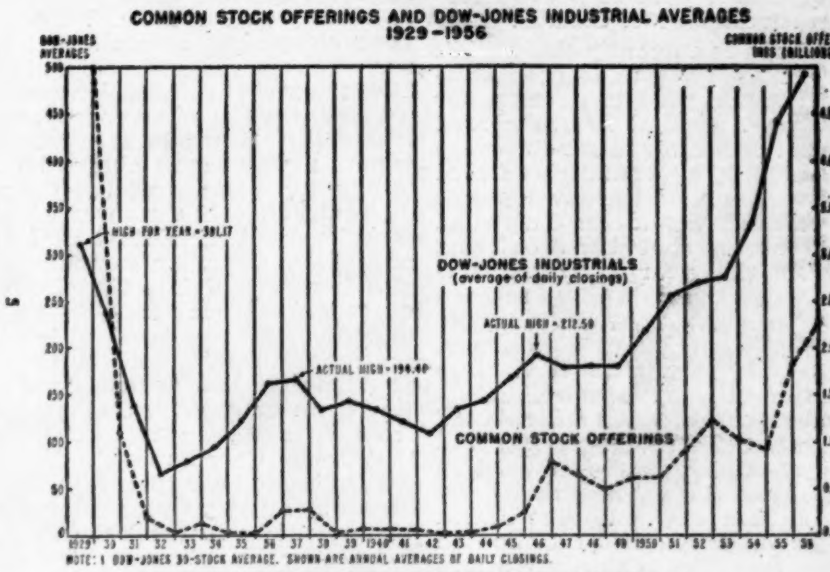
Lay Offs: Until recently the investment banker could only wait out the subscription period and hope the market would remain strong enough to facilitate subscriptions for a large portion of the shares. In that case, it was a simple matter to sell the few shares remaining. In the late 1940's a plan was devised to enable the investment bankers to purchase rights on the open market, and utilize their selling organizations to sell stock during the rights period. This technique, which has become known as the "lay off" procedure, has proved of benefit to stockholders, investment bankers and issuing corporations. By furnishing a more orderly market for rights during the subscription period, the lay-off procedure serves to reduce the selling pressure on the stock in the market and thus benefits all stockholders, those who subscribe as well as those who choose to sell their rights. For the investment banker, the lay-off procedure provides a means of reducing his risk. From the corporation's standpoint, the lay-off procedure reduces the chances for an unsuc-

PUBLIC OFFERINGS BY CLASS OF SECURITIES
1956



Source: Calculated from Corporate Financing Issues of the Investment Dealers' Digest, July 30, 1956 and January 28, 1957. See C. I. Pilcher, *Raising Capital with Convertible Securities* (Michigan Business Studies Vol. XII, No. 2; Ann Arbor: Bureau of Business Research, University of Michigan 1955).

CHART III
COMMON STOCK OFFERINGS AND DOW-JONES INDUSTRIAL AVERAGES
1929–1956



Source: Harold W. Stevenson, *Common Stock Financing*, Michigan Business Report No, Ann Arbor: Bureau of Business Research, University of Michigan, 1957. *Corporate Financing Directory* of the Investment Dealers' Digest.

EXHIBIT I **APPENDIX**

SUMMARY OF RIGHTS OFFERINGS OF COMMON STOCK IN EXCESS OF $5,000,000 BY INDUSTRIAL COMPANIES—JANUARY 1, 1956—NOVEMBER 15, 1957

Prospectus Date	Issuer	Managing Underwriter	Number of Underwriters	Number of Dealers	Number of Shares	Subscription Price	Amount	Offering Ratio	Subscription Period (Days)	Market Price on Prospectus Date	% Discount of Subscription Price from Market	Low Market Price During Subscription Period	Margin of Safety(a)
January 3, 1956	Outboard, Marine & Manufacturing Company	Morgan Stanley & Co.	26	86	213,845	$ 37.50	$ 8,019,187	1-10	19	43	12.79%	41⅜	10.3%
March 6, 1956	Riegel Paper Corporation	Morgan Stanley & Co.	24	6	194,155	30.00	5,824,650	1-5	14	33	9.09	32½	8.3
March 7, 1956	Crucible Steel Company of America	The First Boston Corporation	5	0	164,117	40.00	6,564,680	1-10	14	51¾	22.71	50¾	26.9
March 12, 1956	The Budd Company	Blyth & Co., Inc.	59	0	395,096	19.00	7,506,824	1-10	15	21¼	10.59	20¾	9.2
May 18, 1956	Monterey Oil Company	Lehman Brothers	58	0	225,810	29.50	6,661,395	1-7	17	34¼	13.87	30¾	4.2
June 11, 1956	National Gypsum Company	W. E. Hutton & Co.; Blyth & Co., Inc.	43	14	416,666	47.00	19,583,302	1-8	14	54	12.97	52	10.6
June 22, 1956	Union Tank Car Company	Smith, Barney & Co.; Blunt, Ellis & Simmons	51	55	335,714	29.00	9,735,706	1-7	17	32½	10.77	30⅜	4.7
July 6, 1956	The Yale & Towne Manufacturing Company	Morgan Stanley & Co.	17	0	269,204	24.50	6,595,498	1-7	17	28⅞	15.15	29	18.4
July 9, 1956	Sperry Rand Corporation	Lehman Brothers; Merrill Lynch, Pierce Fenner & Beane	131	0	2,570,846	20.50	52,702,343	1-10	16	25⅞	20.77	24½	19.5
September 7, 1956	North American Aviation Company	Morgan Stanley & Co.	131	13	1,145,011	38.00	43,510,418	1-6	17	49⅞	23.81	41⅜	8.8
September 11, 1956	Poor & Company	Bache & Co.; Kidder, Peabody & Co.; Dean Witter & Co.	28	33	213,175	31.00	6,608,425	2-5	14	36	13.89	31	0.0
October 1, 1956	Johns-Manville Corporation	Morgan Stanley & Co.	109	0	648,696	40.00	25,947,840	1-10	19	48½	17.53	43⅛	7.8
October 15, 1956	American Petrofina, Incorporated	White, Weld & Co.; Blyth & Co., Inc.; Hemphill Noyes & Co.	16	0	999,093	11.00	10,990,023	1-4	25	14⅝ B	24.79	11⅝	5.7
October 16, 1956	Bucyrus-Erie Company	The First Boston Corporation	18	0	311,040	42.00	13,063,680	1-5	15	49½	15.15	45½	8.0
November 29, 1956	Libby, McNeill & Libby	Glore, Forgan & Co.	64	25	610,664	12.00	7,327,968	1-6	18	13½	11.11	12⅜	3.1
January 3, 1957	Scovill Manufacturing Company	Morgan Stanley & Co.	16	11	176,450	28.50	5,028,825	1-8	18	33⅜	14.61	32⅛	12.7
January 10, 1957	Armco Steel Corporation	Smith, Barney & Co.	159	54	1,088,179	56.00	60,938,024	1-10	15	63	11.11	57⅜	2.5
January 30, 1957	Socony Mobil Oil Company, Inc.	Morgan Stanley & Co.	257	236	4,379,758	45.50	199,278,989	1-10	20	53⅛	14.35	47⅜	4.1
February 14, 1957	The Anaconda Company	Hallgarten & Co.	230	157	1,734,865	50.00	86,743,250	1-5	19	63	20.63	57¾	15.5
April 2, 1957	Reynolds Metals Company	Dillon Read & Co., Inc.; Reynolds & Co., Inc.	132	0	450,866	42.00	18,936,372	1-11	14	52	19.23	52	26.2
April 2, 1957	United States Foil Company	Dillon Read & Co., Inc.; Reynolds & Co., Inc.	132	0	701,074	28.00	19,630,072	1-7	14	34⅜	18.55	34⅜	25.0
April 5, 1957	The Babcock & Wilcox Company	Morgan Stanley & Co.	76	1	535,148	35.00	18,730,180	1-10	17	43	18.60	41	19.6
May 21, 1957	Acme Steel Company	Blyth & Co., Inc.; Merrill Lynch, Pierce Fenner & Beane	51	1	396,079	29.50	11,684,330	1-6	16	33	10.61	31⅜	6.4
May 21, 1957	International Business Machines Corporation	Morgan Stanley & Co.	255	260	1,050,223	220.00	231,049,060	1-10	20	332	33.73	288	30.9
June 12, 1957	The Timken Roller Bearing Company	Hornblower & Weeks	100	0	484,276	40.00	19,371,040	1-10	19	50	20.00	49⅞	25.0
June 14, 1957	Outboard Marine Corporation	Morgan Stanley & Co.	28	79	486,058	27.00	13,123,566	1-15	17	34⅛	20.88	32¾	21.3
July 16, 1957	Minneapolis-Honeywell Regulator Company	Eastman Dillon, Union Securities & Co.	39	0	331,237	85.00	28,155,145	1-20	15	110	22.70	108	27.1
September 10, 1957	Lehigh Portland Cement Company	The First Boston Corporation	52	47	380,312	28.00	10,648,736	1-10	15	32	12.50	28	0.0
November 8, 1957	Standard Oil Company (New Jersey)	Morgan Stanley & Co.	311	NA	6,549,124	44.00	288,161,456	1-30	40	51⅛	13.94	NA	NA

a. Margin of Safety is computed by dividing the subscription price into the difference between low market price during the subscription period and subscription price.

cessful offering and also lowers underwriting costs.

Regulations of the Securities and Exchange Commission allow the investment bankers to purchase rights, with certain exceptions, only at prices which are equal to or lower than the current market bid by others or last sale. This prohibits them from bidding up the price, although in a weak market they are able to enter the market and cushion the drop in price.

A wide variety in the amount of stock laid off is evident in the data in Exhibit II of the Appendix. Underwriters of several issues used no lay offs at all, while many used them in a limited way, and a few used them extensively. (Nine issues, or 31% of the total, involved lay offs greater than 25% of the total shares offered.)

The volume of lay offs is influenced to a great extent by the number of large holders of common stock who do not elect to subscribe to new shares, and hence must sell their rights sometime during the subscription period.

The essence of the success of any lay off is the selling commission, which is usually paid from the so-called "take-up" fee. This commission normally is several times the regular Stock Exchange commission, and therefore is a strong inducement to salesmen of investment firms to sell shares to their clients. The managing underwriter keeps a "book" of orders entered with him by other underwriters and dealers, and the manager is always in a position to know what the lay off demand is at any one time. The manager usually waits until he knows he can lay off stock successfully—that is, until the orders on his book exceed the number of shares proposed to be laid off against the purchase of rights.

The main objection to large lay offs lies in the effect on costs to the issuer. In a few cases the issuer pays the underwriters a set standby fee for all their services, but in most cases the issuer pays the underwriters, in addition to a lesser standby fee, a take-up fee for each share unsubscribed or subscribed for by the underwriters and sold through lay offs. The size of the charge for each unsubscribed or laid-off share usually is equal to or larger than the standby fee, as it must include an attractive selling commission; therefore, the number of shares laid off by the bankers can be an important factor in determining the size of the total fee which must be paid by the issuer. Where only a single fee is charged the corporation by the investment bankers, it should be noted that

Continued on page 74

APPENDIX

EXHIBIT II

SUMMARY OF UNDERWRITING COST DATA OF RIGHTS OFFERINGS OF COMMON STOCK IN EXCESS OF $5,000,000 BY INDUSTRIAL COMPANIES—JANUARY 1, 1956—NOVEMBER 15, 1957

Issuer	Subscription Price	Standby Fee: Per Share	Standby Fee: As a % of Subscr. Price	Take Up Fee: Per Share	Take Up Fee: As a % of Subscr. Price	Total Spread (if none subscribed for by others than Underwriters): Per Share	Total Spread: As a % of Subscr. Price	Effective Take Up Fee*: Per Share	Effective Take Up Fee*: As a % of Subscr. Price	Gross Cost to Company: Per Share	Gross Cost to Company: As a % of Subscr. Price	Remittance to Company of Profit on Unsubscribed Shares: Per Share	Remittance: As a % of Subscr. Price	Net Cost to Company: Per Share	Net Cost to Company: As a % of Subscr. Price	Results of Offerings and Lay Offs (Expressed as % of Total Shares in Issue): Subscriptions Received from Public	Subscriptions by Underwriters	Unsubscribed Shares	Shares Laid Off	Shares Subscribed by Underwriters Minus Lay Off	Total Shares Sold by Underwriters and Dealers
Outboard, Marine & Manufacturing Company	$ 37.50	$ .85	2.27%	$ .95	2.53%	$1.80	4.80%	$0.595	1.59%	$1.445	3.85%	$ .060	.16%	$1.385	3.69%	37.35%	61.21%	1.44%	61.21%	—%	62.65%
Rieget Paper Corporation	30.00	1.60	5.33	—	—	1.60	5.33	—	—	1.600	5.33	.031	.10	1.569	5.23	62.78	36.43	.78	36.43	—	37.22
Crucible Steel Company of America	40.00	1.25	2.81	—	—	1.25	2.81	—	—	1.125	2.81	—	—	1.125	2.81	98.23	—	1.77	—	—	1.77
The Budd Company	19.00	.40	2.10	.45	2.37	.85	4.47	.028	.14	.428	2.25	.023	.12	.405	2.13	93.78	—	6.22	—	—	6.22
Monterey Oil Company	29.50	.50	1.69	1.00	3.39	1.50	5.08	.114	.39	.614	2.08	.030	.10	.584	1.98	88.58	10.20	1.21	13.29	(3.08)	13.29(a)
National Gypsum Company	47.00	.90	1.91	1.10	2.34	2.00	4.25	.213	.45	1.113	2.37	.141	.30	.972	2.07	80.66	16.66	2.68	16.66	—	19.34
Union Tank Car Company	29.00	.60	2.07	.75	2.59	1.35	4.66	.207	.71	.807	2.78	.021	.07	.786	2.71	72.39	25.21	2.41	25.21	—	27.61
The Yale & Towne Manufacturing Company	24.50	.50	2.04	.60	2.45	1.10	4.49	.016	.07	.516	2.11	.073	.30	.444	1.81	97.26	1.72	1.01	1.72	—	2.74
Sperry Rand Corporation	20.50	.3075	1.50	.50	2.44	.8075	3.94	.013	.06	.320	1.56	—	—	.320	1.56	97.41	—	2.59	—	—	2.59
North American Aviation Company	38.00	.80	2.10	1.00	2.63	1.80	4.73	.110	.29	.910	2.39	.050	.13	.860	2.26	89.05	9.01	1.94	8.63	.38	10.95
Poor & Company	31.00	.75	2.42	1.25	4.03	2.00	6.45	.711	2.29	1.461	4.71	—	—	1.461	4.71	43.10	30.15	26.75	30.15(b)	—	56.90(b)
Johns-Manville Corporation	40.00	.75	1.87	1.00	2.50	1.75	4.37	.061	.15	.811	2.03	.076	.19	.735	1.84	93.86	5.12	1.02	5.01	.11	6.14
American Petrofina, Incorporated	11.00	.35	3.18	.35	3.18	.70	6.36	.012(c)	.11(c)	.362(c)	3.29(c)	.029(c)	.26	.333	3.03	97.94	—	2.06	—	—	2.06
Bucyrus-Erie Company	42.00	1.20	2.86	—	—	1.20	2.85	—	—	1.200	2.86	—	—	1.200	2.86	91.31	5.94	2.75	6.29	(.33)	8.69
Libby, McNeill & Libby	12.00	.35	2.91	.50	4.16	.85	7.07	.248	2.07	.598	4.98	—	—	.598	4.98	50.39	37.92	11.60	40.40(d)	(2.48)	49.51(d)
Scovill Manufacturing Company	28.50	.65	2.28	1.00	3.51	1.65	5.79	.124	.44	.774	2.72	.118	.41	.656	2.30	87.61	8.73	3.66	8.73	(.003)	12.39
Armco Steel Corporation	56.00	1.10	1.96	.90	1.61	2.00	3.57	.265	.47	1.365	2.44	—	—	1.365	2.44	70.58	25.72	3.70	29.10	(3.37)	29.42
Socony Mobil Oil Company, Inc.	45.50	.85	1.87	1.00	2.20	1.85	4.07	.398	.87	1.248	2.74	.127	.28	1.121	2.46	60.24	36.92	2.84	34.74	2.19	39.76
The Anaconda Company	50.00	1.00	2.00	1.25	2.50	2.25	4.50	.209	.42	1.209	2.42	.256	.51	.953	1.91	83.25	14.28	2.47	15.55	(1.26)	16.75
Reynolds Metals Company	42.00	1.00	2.38	1.10	2.62	2.10	5.00	.075	.18	1.076	2.56	.185	.44	.891	2.12	93.13	5.35	1.52	7.27	(1.93)	7.27(e)
United States Foil Company	28.00	.90	3.21	.95	3.39	1.85	6.60	.087	.31	.987	3.53	.038	.14	.949	3.39	97.32	8.61	.51	10.13	(1.51)	10.13(f)
The Babcock & Wilcox Company	35.00	.70	2.00	.85	2.43	1.55	4.43	.066	.19	.766	2.19	.118	.34	.648	1.85	92.24	6.45	1.31	7.33	(.87)	7.76
Acme Steel Company	29.50	.74	2.51	.89	3.02	1.63	5.52	.378	1.28	1.118	3.79	.085	.29	1.033	3.50	57.52	35.27	7.24	33.81(g)	1.46	42.48(g)
International Business Machine Corporation	220.00	3.00	1.36	6.50	2.95	9.50	4.32	.870	.40	3.870	1.76	.180	.08	3.690	1.68	86.62	13.19	.19	12.06	1.13	13.38
The Timken Roller Bearing Company	40.00	.70	1.75	.90	2.25	1.60	4.00	.098	.25	.798	2.00	.138	.35	.660	1.65	88.91	9.80	1.28	9.80	—	11.08
Outboard Marine Corporation	27.00	.55	2.04	.85	3.15	1.40	5.19	.393	1.46	.943	3.49	.046	.17	.897	3.32	53.78	45.54	.68	45.59	(.05)	46.22
Minneapolis-Honeywell Regulator Company	85.00	1.10	1.29	1.75	2.06	2.85	3.35	.010	.01	1.110	1.31	.120	.14	.990	1.16	99.44	—	.56	—	—	.56
Lehigh Portland Cement Company	28.00	.84	3.00	—	—	.84	3.00	—	—	.840	3.00	—	—	.840	3.00	63.94	27.50	8.56	25.22	1.28	33.78
Standard Oil Company (New Jersey)	44.00	.75	1.70	1.00	2.27	1.75	3.98	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

* The effective take up fee is the additional fee paid on shares actually taken up by underwriters related to the total number of shares offered.
(a) Includes short position of 4,213 shares.
(b) Does not include 12,200 shares from stabilization.
(c) The Underwriters' commitment does not cover 400,000 of the 999,093 shares offered. Consequently, per share fees are computed on the basis of 599,093 shares.
(d) Does not include 87,000 shares from stabilization.
(e) Includes short position of 1,810 shares.
(f) Includes short position of 7,045 shares.
(g) Does not include 1,100 shares from stabilization.

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this single fee is larger than the standby fee on a two-fee issue and reflects an estimated provision for selling effort which may be required.

Terms of a Rights Offering: There are a number of factors which the corporation issuing stock must consider in setting up the terms of a rights offering. The problem focuses on these factors: (1) amount of money to be raised, (2) number of old shares necessary to subscribe to one new share, (3) discount of the subscription price from the market price, and (4) theoretical rights value desired.

It is evident that none of these factors can be determined separately and independently. As a matter of fact, a definite decision on any two of the four factors automatically determines all four. Because of these interrelationships, the terms of an offering cannot be determined without considering each of the several factors listed above. Some of the considerations involved are as follows:

(1) **Amount of Money to Be Raised**—As indicated previously, management determines the amount of funds it needs on a basis of sales estimates, capital budgeting, and other forecasting techniques. The portion of these funds to be raised as equity capital is based on consideration of cost and capital structure and what is feasible in the market. The desired amount is thus usually a relatively clearcut figure in the mind of the issuer.

Once the approximate total amount to be raised has been determined, the number of dollars to be sought from the holder of each outstanding share is also fixed. It may be sought in the form of an infinite number of combinations of different subscription prices and ratios of old and new stock, but the amount desired from the owner of each existing share is exactly the same *per share* and depends only on the total amount to be raised and the number of shares outstanding.

(2) **Discount of the Subscription Price From the Market**—The size of the discount is decided by several factors. Many corporations want the discount as small as possible without creating undue risk of the market dropping below the subscription price. In theory the issuer should have no objection to a large discount, since it increases the value of the stockholders' rights by an amount equivalent to the reduction in the average market value of their shares. In practice, however, the price determined by the market may not be the same as the theoretical price due to the "pressure" of the offering.

Another significant reason to minimize the discount is the desire of management to maintain the same dividend rate and similar earnings per share.

Book value is generally of no practical consideration in the determination of the subscription price. However, most managements are generally reluctant to sell common stock at a price below the book value of their outstanding shares.

(3) **Ratio of New Shares to Old**—This ratio is an indication of the relative magnitudes of the existing common stock capitalization and the new issue.

(4) **Value of the Rights**—The major concern of management is that the rights have a value throughout the subscription period which will appear attractive enough to stockholders to induce them to subscribe. If the rights do decline to a nominal value, the stockholders may lose interest and decide that it is not worthwhile either to exercise the rights or to sell them to others.

Cash Offering

Description: The cash offering ("straight" offering, public offering) is a less complicated method of offering stock than the rights offering. Instead of making the offer to the stockholders first, the original offer is made to the general public. The stock is usually offered by the issuing corporation through a group of investment bankers who buy the entire issue and distribute it to the general investing public. Under this arrangement the issuers are assured of obtaining their capital quickly and the investment bankers earn the spread between the public offering price and the amount paid to the issuer by assuming the risk entailed in purchasing the issue and for exerting the sales effort required to sell the issue.

Determination of Price: The price at which the stock will be offered on the market can be determined in two different ways: (1) a fixed price, or (2) in unusual cases, a formula price. Under the fixed price method, the banker and the issuer negotiate the proposed public offering price just prior to the effective date. The formula plan establishes upper and lower limits on the proposed public offering price, based on current market quotations. A typical formula plan might set as a top limit the last sale price or the last offer, whichever is higher; the lower limit might be a certain amount below the last sale or the last bid, whichever is lower, and within these limits the price is determined by the issuer and investment banker after the issue becomes effective and just prior to the offering. The size of the difference between the lowest possible offering price and the current market price varies from issue to issue, but it is usually a small figure.

When a stock is actively traded on the exchanges, some corporations prefer the formula plan. It gives them flexibility in setting the offering price, as well as in the matter of timing, since this method allows the parties a certain amount of leeway within a prescribed period to select the most advantageous time for the offer. Since the formula plan is based on market quotations, any corporation whose stock does not have an active, accurately reported market will usually wish to use the fixed price method.

Since the market is such an important factor in the determination of the offering price under the formula plan, the Securities and Exchange Commission has instituted restrictive rules governing

APPENDIX

EXHIBIT III

SUMMARY OF CASH OFFERINGS IN EXCESS OF $5,000,000 OF COMMON STOCK BY INDUSTRIAL COMPANIES*—JANUARY 1, 1956—NOVEMBER 15, 1957

Prospectus Date	Issuer	Managing Underwriter	No. of Underwriters	Number of Dealers	Number of Shares	Price	Amount	Underwriting: Per Share	Underwriting: As a % of Offering Price	Selling Concession: Per Share	Selling Concession: As a % of Offering Price	Total Underwriting Spread: Per Share	Total Underwriting Spread: As a % of Offering Price	Offering as a % of Shares Outstanding
January 11, 1956	General Shoe Corporation	Smith, Barney & Co.	26	50	160,000	$60.50	$ 9,680,000.00	$1.00	1.65%	$1.50	2.48%	$2.50	4.13%	14.89%
February 20, 1956	Koppers Company, Inc.	The First Boston Corporation	96	7	300,000	53.00	15,900,000.00	1.00	1.89	1.00	1.89	2.00	3.77	15.05
February 23, 1956	The Trane Company	Smith, Barney & Co.	30	28	120,000	49.50	5,940,000.00	.85	1.72	1.00	2.02	1.85	3.74	10.00
March 7, 1956	Pacific Coast Aggregates, Inc.	Blyth & Co., Inc.; Schwabacher & Co.	23	34	450,000	14.75	6,637,500.00	.50	3.39	.50	3.39	1.00	6.78	54.41
April 2. 1956	Caterpillar Tractor Co.	Blyth & Co., Inc.	66	201	500,000	68.75	34,375,000.00	1.15	1.65	1.25	1.81	2.40	3.49	5.97
May 15, 1956	Murphy Corporation	Lehman Brothers; A. G. Becker & Co.	14	209	250,000	25.00	6,250,000.00	1.00	4.00	.80	3.20	1.80	7.20	11.92
June 18, 1956	R. R. Donnelley & Sons Company	Harriman, Ripley & Co.	99	169	573,575	27.50	15,773,312.50	.85	3.09	.90	3.27	1.75	6.36	27.20
June 19, 1956	Halliburton Oil Well Cementing Company	Lehman Brothers; Blyth & Co., Inc.	127	115	350,000	78.75	27,562,500.00	1.30	1.65	1.50	1.90	2.80	3.56	10.67
September 18, 1956	Acme Steel Company	Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane	69	59	400,000	33.00	13,200,000.00	.75	2.27	1.00	3.03	1.75	5.30	20.24
October 16, 1956	Georgia-Pacific Corporation	Blyth & Co., Inc.	70	120	497,100	32.00	15,907,200.00	.70	2.19	.90	2.81	1.60	5.00	19.46
March 12, 1957	Owens-Corning Fiberglas Company	Goldman, Sachs & Co.; Lazard Frères & Co.; White, Weld & Co.	128	127	300,000	54.25	16,275,000.00	1.00	1.84	1.25	2.30	2.25	4.15	4.76
April 16, 1957	Standard Pressed Steel Co.	Kidder, Peabody & Co.	64	9	190,000(a)	30.00	5,700,000.00	1.00	3.33	1.00	3.33	2.00	6.67	10.64(a)
May 1, 1957	KLM Royal Dutch Airlines	Smith, Barney & Co.; The First Boston Corporation	35	132	250,000(b)	29.00	7,250,000.00	1.10	3.79	.90	3.10	2.00	6.89	23.18(b)
June 5, 1957	The Trane Company	Smith, Barney & Co.	44	49	150,000	46.625	6,993,750.00	.85	1.82	1.00	2.14	1.85	3.97	7.58
June 25, 1957	Kerr-McGee Oil Industries, Inc.	Lehman Brothers; Strauss, Blosser & McDowell	115	33	220,000	70.75	15,565,000.00	1.00	1.41	1.50	2.12	2.50	3.53	10.22
July 16, 1957	Oxford Paper Company	Blyth & Co., Inc.	29	33	175,000	38.25	6,693,750.00	.90	2.35	1.10	2.88	2.00	5.23	22.98
September 9, 1957	Amphenol Electronics Corporation	Hornblower & Weeks	38	69	200,000	27.50	5,500,000.00	.75	2.73	1.00	3.63	1.75	6.36	39.96

* Excludes partial secondary offerings except where proceeds to the company exceed $5,000,000.

(a) Excludes the portion of shares offered to employees.

(b) Excludes the portion of shares offered by European underwriters.

any attempt by the underwriters to stabilize the price through market transactions.

Distribution Organization: To share the risk and to accomplish the distribution of the issue, the managing investment banker organizes a group of investment bankers, and sometimes even another group of selling dealers to assist in the actual sale of the shares. The number of underwriters and dealers may be very large, ranging from 57 to 270 in the issues recorded in the Appendix. The underwriting group or syndicate is organized in a manner which tries to assure financial strength and coverage of the different types and locations of potential investors. An organization of this kind, motivated by a selling commission on each share sold, is capable of developing a large demand, which is a fundamental requirement for the success of an issue. The stock does not enter the market over a period of time as in the rights offering. On the contrary, in the cash offering the entire issue is placed on the market on a given day and aggressive selling effort is necessary to develop enough demand to place the issue without delay.

Compensation of the Investment Bankers: The compensation of the investment bankers—contemplated gross spread—is negotiated at the same time as the proposed public offering price and of course is deducted from such price in determining the price paid to the issuer of the securities.

Included in the Spread:

(1) **Underwriting Compensation**—This portion is paid to all the members of the underwriting group in compensation for assuming the financial risk of the operation, and expenses of the underwriters in connection with the issue, i.e., legal, advertising, etc.

(2) **Selling Compensation ("Concession")** — This portion is paid to the underwriters and dealers which sell the new shares of stock.

A breakdown of each of the spreads and the size of spread relative to the offering price is given in Exhibit II of the Appendix.

Conclusion

The decision between cash or rights offerings has been a subject of debate in the financing of corporations. In some cases the rights offering seems to be more advisable and in others the circumstances seem more suited to the cash offering.

In a great many cases there is no problem, since stockholders may have pre-emptive rights either by statute or under the company's charter. In these instances the corporation has no choice in selecting the method of common stock financing.

When the pre-emptive right does not preclude public cash offerings, a decision must be made on the basis of a number of factors. A basic consideration, as previously mentioned, is the desire of management to offer stockholders an opportunity to maintain their proportional voting rights and interest in the equity. Another important consideration is the practical limitation of a cash offering, where the percentage increase of the new shares or the dollar size of the offering may make such a cash offering difficult if not impossible to effect at a reasonable cost. Factors such as the relative size of the various stockholder's holdings, the number of stockholders, the number and type of institutions owning the stock, and other forms of distinctive stockholder situations also lead to varied emphases on the different methods of selling stock.

Where stock is largely held by a small group, it has often proved more convenient to raise equity funds through a cash offering to the public.

Relative underwriting costs, the mechanical simplicity of a cash offering and attitudes of different issuers and investment bankers are also factors.

On the surface, the rights offering and the cash offering are two very different methods of obtaining equity capital. One concentrates on the original shareholders and the other on the distribution abilities of the investment bankers' organizations. The techniques and problems are very different.

Despite these rather obvious differences, there may be a fundamental similarity in the source of the funds, depending on the amount of stock taken up by the original stockholders of the corporation. If the number of original stockholders who subscribe to a rights issue is small, most of the funds must come from outsiders. In a rights offering, these outsiders are the people who buy rights; in a cash offering, the outsiders are the customers of the selling investment bankers and dealers. To the extent that shares are laid off by the investment bankers, the type of new shareholders will be much the same, since the investment banker sells to the same sort of people whether he gets the stock from a lay off or from a direct purchase.

If the amount of the lay off is large, it can be argued that although the technique is very different, the funds come from basically the same source.

Respectfully submitted,

INDUSTRIAL SECURITIES COMMITTEE

Edward Glassmeyer, Chairman
Blyth & Co., Inc., New York

P. Fred Fox
P. F. Fox & Co., New York

Madison H. Haythe
Alex. Brown & Sons, New York

Charles L. Hewitt
Francis I. du Pont & Co., New York

Gilbert W. Kahn
Kuhn, Loeb & Co., New York

Samuel N. Kirkland
Jenks, Kirkland, Grubbs & Keir, Philadelphia, Pa.

Thomas A. Larkin
Goodbody & Co., New York

Frank A. Petito
Morgan Stanley & Co., New York

Frank B. Reid
Fulton, Reid & Co., Cleveland, Ohio

Julian A. Space, Jr.
Johnson, Lane, Space & Co., Savannah, Ga.

Leroy A. Wilbur
Stein Bros. & Boyce, Baltimore, Md.

Johnson, Lane Branch

JACKSONVILLE, Fla. — Johnson, Lane, Space and Co., Inc. has opened a branch office in the Florida Title Building under the management of Philip S. May, Jr.

Mohawk Valley Branch

MALONE, N. Y.—Mohawk Valley Investment Company, Inc. has opened a branch office in the Hotel Flanagan under the management of Mrs. Katherine C. Barton.

With First Trust Co.

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Harold Taylor has become affiliated with the First Trust Company, 10th and O Streets.

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Report of IBA Public Utility Securities Committee

thetic to the need for higher rates when and if these become necessary due, in part, to the greater cost of money. However, many commissions expressed the opinion that as yet the situation had not become acute since securities sold with high interest and dividend rates were averaged in with a much larger volume sold at lower rates.

Rates of Return

It is reassuring that already some regulatory bodies have allowed higher rates of return. Considerable attention was attracted in the summer by a rate cut order issued by the Florida Commission against the Florida Power & Light Co. and headline readers expressed considerable concern. When all of the facts were assembled and the incident closed later in the year investors should have been reassured rather than otherwise as the Commission adopted a higher rate of return for the company in question than it had allowed in previous proceedings and the Commission Chairman publicly stated that earnings would be permitted to go modestly above the return set without pressure for a new rate cut.

The New York Commission recently granted the New York Telephone & Telegraph Co. a higher rate of return and one of the most encouraging developments has been that the California Commission in a series of decisions has given several companies under its jurisdiction higher returns than they have been earning. This latter development is of particular significance to the investing public because the California Commission has been traditionally regarded as one unduly repressive. The change of atmosphere has been heartening.

Another encouraging development of the year was a decision by the Iowa Supreme Court affirming "fair value" as the basis for rate making in that state as against original cost for which one of the municipalities had been contending.

Unfavorable Developments

Not all developments, however, have been favorable and our Committee has continued to be cognizant of responsibilities in situations where the interests of the investor are obviously being prejudiced. We gave special attention to the refusal of the Maine Public Utilities Commission to grant a rate increase to Central Maine Power Co. In this case we not only made representations to the commissions and to the Governor of the state but we released copies of our material to the press in Maine where it received considerable attention. The reactions which followed encouraged us to feel that where a commission is obviously adopting an unfair attitude, something can be gained by presenting the position of the investor to the press and we think this procedure might be followed in other cases.

Our Committee made representations to the proper subcommittee of both the United States Senate and House of Representatives in connection with the proposals to authorize the Tennessee Valley Authority to sell revenue bonds to obtain capital for the expansion of its system. We urged that rather than contemplate further expansion of TVA, by whatever method financed, it would be more constructive to seek means by which additional power requirements of the area could be made by investor-owned companies which pay taxes to the Federal Government.

We wrote to the Chairman of the SEC and the Chairman of the FPC urging them to give favorable consideration to requests of utility companies for approval of limited non-callable provisions in their bonds to facilitate financing at the most favorable rates.

One of the largest projects of the year was the circularization of the important utility companies of the country which use or have used subscription rights in connection with their financing, urging that dealers be paid a compensation for handling such rights. We are pleased to report that some companies which have not made a practice of paying compensation in the past have indicated a willingness to study the matter before the time of their next offering.

Respectfully submitted,

PUBLIC UTILITY SECURITIES COMMITTEE

Harold H. Young, Chairman
Eastman Dillon, Union Securities & Co., New York

William N. Bannard, 3rd
American Securities Corp., New York

Elwood D. Boynton
C. F. Childs & Co., New York

Carl C. Brown
Laurence M. Marks & Co., New York

Edward J. Costigan, Jr.
Edward D. Jones & Co., St. Louis

Francis J. Cullum
W. C. Langley & Co., New York

Carl H. Doerge
Wm. J. Mericka & Co., Inc., Cleveland

E. Richard Drummond
Pierce, White and Drummond, Inc., Bangor

Thomas B. Gannett
Hornblower & Weeks, Boston

Edwin B. Horner
Scott, Horner & Co., Lynchburg

James M. Howe
Farwell, Chapman & Co., Chicago

Thomas M. Johnson
Johnson, Lane, Space and Co., Savannah

Hudson B. Lemkau
Morgan Stanley & Co., New York

Milton F. Lewis
A. G. Becker & Co. Inc., New York

Richard H. Martin
Pacific Northwest Co., Portland

Wallace M. McCurdy
Thayer, Baker & Co., Philadelphia

Robert H. O'Keef
The Marshall Company, Milwaukee

George L. Perin
The First Boston Corporation, New York

William C. Porter
Dittmar & Company, Inc., San Antonio

James M. Powell
Boettcher and Company, Denver

Albert E. Schwabacher, Jr.
Schwabacher & Co., San Francisco

Charles Tatham
Bache & Co., New York

ELECTRIC UTILITY INDUSTRY

12 Months Ended	Electric Production (Thousands kwh)	Installed Generating Capacity at Period End (kw)
Aug. 31, 1957	624,302,252	125,753,959
Aug. 31, 1956	589,452,837	118,010,526
Aug. 31, 1955	518,363,951	110,029,299
Dec. 31, 1954	471,686,354	102,592,410
Dec. 31, 1949	291,099,543	63,100,334
Dec. 31, 1941	164,787,878	42,405,436
Dec. 31, 1929	92,180,273	29,839,459

SOURCE: Electric Power Statistics, Federal Power Commission.

Securities Sold
(Thousands of dollars)

	9 Mos. to 9/30/57	9 Mos. to 9/30/56	9 Mos. to 9/30/55
Long-Term Debt:			
Publicly	$1,283,500	$661,500	$592,500
Subscription	101,052	59,779	37,737
Privately	150,950	27,500	67,150
	$1,535,502	$748,779	$697,387
Preferred Stock:			
Publicly	$59,057	$134,265	$112,425
Subscription	1,639	32,836	23,243
Privately	------	10,600	20,750
	$60,696	$177,701	$156,418
Common Stock:			
Publicly	$120,856	$63,362	$90,660
Subscription	291,524	141,254	140,440
	$412,380	$204,616	$231,100
Total Financing	$2,008,578	$1,131,096	$1,084,905
Total New Money	$1,985,768	$1,127,000	$952,407

SOURCE: Ebasco Services, Inc.

GAS UTILITY & PIPELINE INDUSTRY

12 Months Period	Total Revenues (Millions)	Construction Expenditures (Millions)	Customers (Thousands)
June 30, 1957	$6,115	$1,932	29,988
June 30, 1956	5,750	1,628	29,190
June 30, 1955	4,901	1,345	27,954
Dec. 31, 1954	3,052	1,055	27,528
Dec. 31, 1951	2,228	1,462	24,953
1940-46 Average	1,565	799	22,267

FORECAST OF CONSTRUCTION EXPENDITURES

1958—$1,977 million; 1959—$2,265 million; 1960—$2,335 million

GAS OPERATING AND HOLDING COS. SECURITIES SOLD

	1956	1955	1954
Debt Issues	$1,142,624,000	$946,557,000	$1,861,595,000
Preferred Stocks	258,930,000	192,043,000	327,585,000
Common Stocks	182,151,000	274,153,000	242,082,000
Total	$1,583,705,000	$1,412,753,000	$2,431,262,000

SOURCE: "Gas Facts" and Quarterly Report American Gas Association.

TELEPHONE INDUSTRY

Telephones Installed

Year-End	Independents	Bell System
1956	9,112,000	51,344,000
1955	8,461,000	48,029,000
1954	7,996,000	45,044,000
1949	6,086,000	34,776,000
1946	4,825,000	26,900,000

Operating Revenues

Year-End	Independents	Bell System
1956	$648,222,000	$5,966,190,000
1955	596,030,000	5,425,442,000
1954	526,109,000	4,907,481,000
1949	286,572,000	2,970,690,000
1946	201,170,000	2,157,917,000

Plant Investment

Year-End	Independents	Bell System
1956	$2,323,052,000	$17,556,590,000
1955	2,042,822,000	15,799,247,000
1954	1,795,029,000	14,567,746,000
1949	961,199,000	9,726,535,000
1946	655,878,000	6,440,847,000

SOURCE: Statistics of the Independent Telephone Industry—U.S. Independent Telephone Association.

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Report of IBA Governmental Securities Committee

savings bonds. Over the past five years, this demand debt has shrunk to less than $15 billion. This year $4 billion has been or will be paid off. During 1958 the amount outstanding stands to be reduced by $1¾ billion as various issues mature. Although the redemption of this demand debt added to the already difficult problems of the Treasury, the progressive shrinkage of this type of debt means that financial problems related to it should be less bothersome in the future. Your Committee is strongly of the opinion that the continuing substitution of marketable debt for redeemable-on-demand debt is building a stronger base for sound debt management.

Treasury Needs in 1958

Looking ahead to 1958 the Treasury has maturities of more than $48 billion coming due, excluding regular bills and tax anticipation issues. In addition to refundings, cash offerings can be expected to finance seasonal needs, attrition and redemption of savings bonds. Even though some progress in the area of debt extension was made in 1957, the average maturity of the debt is under four years, and the short-term debt is still large.

Indications of a downturn of business, the reduction in the discount rate, and the lower estimates of business borrowing requirements for 1958, may make it easier for the Treasury to carry out its financing operations for the year ahead. It is to be hoped that these operations will continue to be directed toward improving the structure of the public debt.

Urge Balance Debt Structure

A survey of the difficulties which the Treasury faced this year, as it struggled with the financing of heavy maturities and cash requirements under almost uniformly adverse conditions, would serve as a pointed argument for the need for a balanced debt structure. The advantages to the Treasury, and hence to the nation as a whole, are tangible and vital. Our free economy depends in large part upon a sound dollar, a cause to which the Treasury can contribute by its debt management policies. It is also important that the Treasury correlate its financing operations with other capital markets rather than being forced to interfere with this phase of the economy. In the long run interest costs should be lower on the average if all investor categories are encouraged to shoulder their respective portions of the debt. Finally, the Treasury must have a significant degree of flexibility and borrowing power in the case of some monetary or international emergency.

The Treasury has demonstrated its understanding of the problems and its willingness to take direct steps toward an eventual solution. It is no less essential that investors be cognizant of the Treasury's objectives and of their responsibility for their attainment. For the Treasury to succeed in its goal, it will need the cooperation and support of all investors who determine the allocation of investable funds to the market.

Problems on Horizon

The year ahead may bring great pressures to bear on authorities charged with directing our Government. Unemployment, a lower level of business activity, cold wars, increased defense expenditures and the development of space satellites may all play serious parts. Your Committee hopes that these problems may be resolved in a manner consistent with good debt management, fiscal and monetary policy and avoid an additional base for further inflation.

Respectfully submitted,

THE GOVERNMENTAL SECURITIES COMMITTEE

Emil J. Pattberg, Jr., Chairman
The First Boston Corporation
New York

Robert B. Blyth
The National City Bank of Cleveland, Cleveland

Milton S. Bosley
National Bank of Detroit
Detroit

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Northwestern National Bank of Minneapolis, Minneapolis

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C. J. Devine & Co., New York

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California Bank, Los Angeles

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The Chase Manhattan Bank
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H. Lyman Greer
The Fifth Third Union Trust Co., Cincinnati

Alfred H. Hauser
Chemical Corn Exchange Bank
New York

Hardin H. Hawes
Harris Trust & Savings Bank
Chicago

Russell A. Kent
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San Francisco

George B. Kneass
The Philadelphia National Bank
Philadelphia

Frederick G. Larkin, Jr.
Security-First National Bank of Los Angeles, Los Angeles

Ralph F. Leach
Guaranty Trust Company of New York, New York

Pat G. Morris
The Northern Trust Company
Chicago

Robert C. Morris
Bankers Trust Co., New York

Delmont K. Pfeffer
First National City Bank of New York, New York

L. Sumner Pruyne
The First National Bank of Boston, Boston

Herbert N. Repp
Discount Corporation of New York, New York

F. Brian Reuter
Mellon National Bank & Trust Company, Pittsburgh

Rudolph Smutny
R. W. Pressprich & Co
New York

With Morton Seidel

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Frederick B. Dickey is now connected with Morton Seidel & Co., 458 South Spring Street.

Two With W. R. Staats

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Frederick G. Kimball and Lowell B. Trumbull have become associated with William R. Staats & Co., 640 South Spring Street, members of the New York and Pacific Coast Stock Exchanges. Both were formerly with Marache, Dofflemyre & Company.

J. Logan Co. Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Norbert R. Blank has been added to the staff of J. Logan & Co., 721 East Union Street.

William Sloan Joins Dallas Rupe & Son

DALLAS, Texas—Appointment of William J. Sloan as Sales Manager of Dallas Rupe & Son, Inc., Republic National Bank Building, members of the New York Stock Exchange, has been announced by D. Gordon Rupe, President.

Mr. Sloan is a former President and director of Texas Fund Management Company, and Vice-President, Treasurer and director of Texas Fund, Inc. He formed the W. J. Sloan Investment Management Company in Houston, following his connection with Texas Fund.

Mr. Sloan's investment activities go back to earlier association with Fahnestock & Company, Wall St. brokerage house, and 28 years with Smith, Barney & Company in an executive capacity.

He served 10 years as Chairman of the Tax Committee of Broker & Dealers Association in New York City. He is a member of the National Committee of the Controllers Institute of America on Securities and Exchange regulations.

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Report of IBA Federal Taxation Committee

revenues resulting from the country's growth are channeled into tax reduction, rather than, as in recent years, entirely into increased expenditure. Federal revenues have recently been increasing at an annual average rate of between $3 and $4 billion a year. A substantial part of this increase should in effect be made available to taxpayers. To do so would strengthen and invigorate our economy and thus improve our ability to bear the increasingly heavy burdens that seem likely to be laid upon us.

Averaging Should Be Permitted

A basic unfairness in the present steeply progressive personal income tax structure is that, due to the working of arithmetic, a man earning a given amount of income in even instalments over a period of years pays less tax than another man who earns the same total amount of income in irregular amounts over the same period. This, of course, penalizes the small businessman who necessarily doesn't receive the same income every year. Therefore, the income tax law should permit averaging of incomes over a reasonable period—say five years.

Increased Dividend Credit

The Revenue Bill of 1954 introduced in principle a significant improvement in our tax structure in that it provided for a slight reduction in the double taxation of corporate dividends by allowing individuals a tax credit of 4% of dividends received. We would like to see further progress along this line to the point where the credit is 20%—equal to the lowest tax rate—as it is in Canada.

The Capital Gains Tax

Turning now to our area of primary interest — the capital gains tax—the first point to be made is that because of its peculiar nature it can be stated with considerable confidence that a substantial reduction in the rate of the tax would result in an actual **increase** in the amount of revenues which the Treasury would collect from it. The reason for this is that almost without exception liability for the tax is created voluntarily by the taxpayer—liability for the tax occurs only when the holder of a capital asset—such as real estate or securities—decides to sell it at a price higher than the price he paid for it. If he wishes to, the holder can refrain from selling until he dies, and his death will void potential liability for the tax.

The effect of this situation is that the capital gains tax isn't actually a tax on capital gains, it is in reality a transfer tax levied only when property in which a gain exists is sold, and it is a transfer tax levied at an extraordinarily high rate. For example, a holder of Standard Oil of N. J., who bought it in any year between 1946 and 1950, and wished to sell it at recent prices, would have a tax liability of not less than 16% of the price at which the stock has been selling recently. That is to say, a sale at present prices would cost him 16% of his capital. The holder of Standard Oil of N. J. bought in the 1940's can avoid this tremendous capital levy or transfer tax merely by sitting tight and doing nothing. This immobilizing effect of the tax has, therefore, securely locked up for an indefinite period a tremendous segment of all the property in the United States—securities, buildings and land. This is surely an unhealthy situation for an economy that, to bear the burdens imposed upon it by the world situation and by its own population growth, badly needs increasing amounts of venturesome capital.

Therefore, we would like to see a very substantial cut in the rate of the capital gains tax, and its eventual elimination. Parenthetically, other capitalist countries, notably Canada and England, have no capital gains tax; these countries have long felt that such a tax would impose an entirely unnecessary limitation on their growth capabilities.

The Holding Period Should Be Shortened

In addition to a reduction in the rate of the tax, we would, of course, like to see a shortening of the holding period. As matters now stand, taxpayers in brackets above the lowest will almost invariably prefer to retain any asset in which a gain exists until the tax liability is as low as possible. When a gain is in sight, the **certainty** of reduced taxation if six months is allowed to elapse outweighs the **uncertainty** of future price action. Since this is the case, the holding period might as well be short as long.

Loss Provisions Should Be Liberalized

Another modification in present law which should be effected is a change in the present provision which allows only $1,000 per year of capital losses to be deducted from ordinary income. The reason for the present limitation is, of course, that taxpayers will always arrange their affairs so that they take as many losses and as few gains as possible. Therefore, if any revenue is to be collected from the tax, the law must contain a built-in unfairness. However, in view of the inflationary price rise which has taken place in the last 15 years, it would seem only reasonable that the present $1,000 loss limitation should be raised to $5,000.

Further Reform Proposals

We have dealt so far in this report only with modifications to existing law. We now advance two proposals which would permit retention of the present tax structure, would probably not result in any reduction in revenues, but, on the contrary, would probably increase revenues from the tax, and would have the effect of freeing from the "locking-up" effect of the capital gains tax a vast amount of capital. The first of these proposals is called the "full reinvestment treatment" of capital gains. It merely would extend to all types of property the tax treatment now accorded to owners of owner - occupied dwellings. Under the present law a man who sells his house and has a capital gain can avoid capital gains tax by buying a new house for the same amount of money, or a larger sum, within a year. It can be seen that if this were permitted in other forms of property, it would have the effect of allowing all kinds of sales to take place which are now impossible because of the tremendous capital gains tax involved. There seems really no logical argument against the "full reinvestment" scheme, and strongly in favor of it is the fact that a very large part of all capital gains in our economy are not true capital gains at all, but merely represent the effect on prices of the post-World War II inflation.

The second proposal is a little more complicated. It is that a limitation be placed upon the amount of a taxpayer's capital which can be taken from him by the tax. To make clear the nature of this proposal, let us assume that last June two men, each holding Standard Oil of N. J. then selling at 69, decided that it was too high, and that, for example, missile research would be a more productive form of endeavor. One of them had bought his stock in 1946 at $10 a share. Thus, his tax position in the event of a sale would be that he would have almost $60 of profit on each share and a tax liability of nearly $15 per share, or a tax equal to more than 21% of his capital. It can be concluded with some positiveness that this holder of Standard Oil of N. J. would refrain from selling. The other holder bought his stock in 1956 at $59 a share. He, thus, by selling would have a profit of only $10 a share and would impose a tax liability on himself of only $2.50 per share, or 3.6% of his capital. In this case tax liability would not seem to be a total deterrent to a sale. If a percentage limitation on the amount of the tax in relation to capital at, say 4%, were set, then both holders would sell, two taxes would be collected and, of course, a doubled amount of venturesome capital would be available. It would therefore probably diminish the economic damage of the capital gains tax and increase its revenue-raising potential if the law were to be amended so that the maximum capital gains tax was **either:** 25% of the gain **or** 4% of the amount involved in a sale, whichever was less.

Tax Reform Still Possible

Recently there has been some sentiment that because of the new burdens to be imposed upon our economy by Russian satellite successes, tax reform is a dead issue. In this connection it is significant that Representative Jere Cooper, Chairman of the House Committee on Ways and Means, has scheduled general tax revision hearings to begin next Jan. 7. Chairman Cooper has said that the hearings will be a source of information looking toward revisions of our internal revenue laws in order to obtain "A revenue system which is fair, equitable, neutral in impact between similar dollars of income, responsive to changes in economic conditions, and capable of compliance and administration with a minimum of taxpayer and government effort. . ." The Chairman emphasized that "the burden of taxation on our citizens is heavy. It is my hope that some relief from these burdens can be achieved next year as a result of our hearings and study." Chairman Cooper added that relief can be achieved ". . . by spreading the burden of taxes equitably and fairly among the various groups of the taxpaying public." It will be noticed that the words "equitable" and "fair" appear twice in these quotations. The fact is that our present steeply progressive income tax schedule is neither "equitable" nor "fair" but punitive, unequitable and unfair. Therefore, if Chairman Cooper's statement is to have any significance for this country's businessmen, and especially its small businessmen, tax reform must at least in part take the shape of a reduction of the steepness of income tax progression. More importantly, because our income and capital gains tax structures are **positively harmful** to a capitalist economy depending upon adequate incentives and a large flow of savings tax reform of the nature described will improve our ability to bear the added burdens that may well be imposed upon us in the next decade.

It is hoped that each member of this Association will make his views on the subject of the personal income tax and of the capital gains tax known to his representatives in Congress in as forcible a way as possible.

Respectfully submitted,

FEDERAL TAXATION COMMITTEE

Walter Maynard, Chairman
Shearson, Hammill & Co., New York

Albert O. Foster
Foster & Marshall, Seattle

Thomas Graham
The Bankers Bond Co., Inc., Louisville

Benjamin H. Griswold, 3rd
Alex. Brown & Sons, Baltimore

Herbert S. Hall
Morgan Stanley & Co., New York

James M. Hutton, Jr.
W. E. Hutton & Co., Cincinnati

Maitland T. Ijams
W. C. Langley & Co., New York

Stewart R. Kirkpatrick
Kirkpatrick-Pettis Company, Omaha

John P. Labouisse
Howard, Weil, Labouisse, Friedrichs & Company, New Orleans

James K. Miller
Schoellkopf, Hutton & Pomeroy, Inc., New York

George A. Newton
G. H. Walker & Co., St. Louis

Edward P. Prescott
Prescott, Shepard & Co., Inc., Cleveland

Ralph W. Simonds
Baker, Simonds & Co., Detroit

Richard J. Stern
Stern Brothers & Co., Kansas City

Mark Sullivan, Jr.
Auchincloss, Parker & Redpath, Washington

Frank C. Trubee, Jr.
Trubee, Collins & Co., Buffalo

Gus B. Walton
Walton & Company, Inc., Little Rock

C. D. Adler Opens

LEXINGTON, Mass. — Carleton D. Adler is engaging in a securities business from offices at 31 Taft Avenue. He was formerly with Plymouth Securities Corporation and in the past was with Hirsch & Co. and Arthur Wiesenberger & Co.

To Be Garfield Partner

Julius Garfield on Jan. 1 will become a general partner in Garfield & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Mr. Garfield has been a limited partner in the firm.

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Attendance at IBA Convention

ELLIS, JOHN B.
Courts & Co., Atlanta
EMERSON, SUMNER B.
Morgan Stanley & Co., New York
EMPEY, LESTER H.*
American Trust Co., San Francisco
ERGOOD, Jr., RUSSELL M.*
Stroud & Co., Philadelphia
ERPF, CARL K.*
Ladenburg, Thalmann & Co., New York
EVANS, CARNOT W.
Clark, Dodge & Co., New York
EVANS, CLEMENT A.
Clement A. Evans & Co., Atlanta
EVANS, THOMAS W.
Continental Illinois National Bank, Chicago
EVERITT, WALTER A.
Model, Roland & Stone, New York
EWING, ROBERT W.*
A. E. Masten & Co., Wheeling
FAIRMAN, FRED W.
Bache & Co., Chicago
FALSEY, WILLIAM J.*
Chas. W. Scranton & Co., New Haven
FARRELL, F. D.
City National Bank, Kansas City
FAY, CHARLES W.
Hooker & Fay, San Francisco
FELKER, RICHARD R.*
The Robinson-Humphrey Co., Atlanta
FINNEY, Jr., HOWARD*
Bear, Stearns & Co., New York
FIRSTBROOK, B. D.
Greenshields & Co., New York
FISHER, CHARLES N.
Singer, Deane & Scribner, Pittsburgh
FLEMING, Hon. DONALD M.
Minister of Finance of Canada
FLYNN, GEORGE T.
Hornblower & Weeks, New York
FLYNN, H. LEONARD*
McDonald & Co., Cleveland
FORDON, RALPH
Fordon, Aldinger & Co., Detroit
FOSTER, ALBERT O.
Foster & Marshall, Seattle
FOSTER, BYRON C.*
Westheimer & Co., Cincinnati
FOX, P. FRED*
P. F. Fox & Co., New York
FRANKLIN, E. W.
Dittmar & Co., Dallas
FREDERICK, PAUL O.
Baxter & Co., New York
FREELAND, H. THEODORE*
American Securities Corp., New York
FREEMAN, MERRILL D.*
Salomon Bros. & Hutzler, New York
FRICKE, JOHN E.*
Bache & Co., Philadelphia
FRIEND, ARTHUR S.*
Folger, Nolan, Fleming-W. B. Hibbs & Co., Washington
FROEHLICH, JOHN E.*
Walter, Woody & Heimerdinger, Cincinnati
FRYE, CHARLES S.
Chicago Daily News, Chicago
FUGLESTAD, ARNE*
Burns Bros. & Denton, New York
FULKERSON, Jr., W. NEAL
Bankers Trust Company, New York
FULTON, WALLACE H.
Natl. Assn. Securities Dealers, Washington
FUNK, CRESTON H.
Creston H. Funk, Hobbs & Co., San Antonio

*Denotes Mr. and Mrs.

GADSBY, EDWARD N.*
Securities & Exchange Commission, Washington
GAERSTE, JOHN L.
Cooley & Co., Hartford
GALLAGHER, FRANCIS P.
Kidder, Peobody & Co., New York
GARDINER, ROBERT M.*
Reynolds & Co., New York
GARDNER, JOHN R.
Reinholdt & Gardner, St. Louis
GATCHELL, EARLE
Hayden, Stone & Co., New York
GEDDES, EUGENE M.
Clark, Dodge & Co., New York
GENACHTE, PAUL F.*
The Chase Manhattan Bank, New York
GEORGE, EDWARD C.
Harriman Ripley & Co., Chicago
GERRISH, ROBERT G.
G. H. Walker & Co., Providence
GIBBONS, Jr., GEORGE B.
Geo. B. Gibbons & Co., New York
GIBSON, RICHARD D.
Lehman Brothers, New York
GINTHER, NELSON D.*
Ginther & Co., Cleveland
GLASSMEYER, EDWARD
Blyth & Co., New York
GLISS, Jr., WILLIAM F.
John C. Legg & Co., Baltimore
GLOVER, W. WAYNE*
California Bank, Los Angeles
GLYNN, Jr., JOSEPH A.
Blewer, Glynn & Co., St. Louis
GODSHALL, R. ELLIS*
Clement A. Evans & Co., Atlanta
GOODWIN, Jr., ARTHUR E.
Rowles, Winston & Co., Houston
GOODHUE, 3rd, FRANCIS
Calvin Bullock, Ltd., Philadelphia
GORDON, DAVID H.
Investment Bankers Assn., Washington
GRAHAM, T. E.
First National Bank, Fort Worth
GRAM, HARVEY B., Jr.*
Johnston, Lemon & Co., Washington
GRAY, Jr., ARTHUR
A. M. Kidder & Co., New York
GRAY, EDWARD C.*
New York Stock Exchange, New York
GREEN, GEORGE H. C.
Liberty National Bank, Oklahoma City
GREEN, J. BRADLEY*
Guaranty Trust Company, New York
GREEN, SHELDON R.*
The Chase Manhattan Bank, New York
GREGORY, Jr., WILLIAM H.
Gregory & Sons, New York
GREGORY, III, WILLIAM H.*
Gregory & Sons, New York
GRIBBEL, 2nd, JOHN
Elkins, Morris, Stokes & Co., Philadelphia
GRIFFIN, MARTIN T.
J. P. Morgan & Co., New York
GUERIN, DEAN P.
Eppler, Guerin & Turner, Dallas
HAACK, ROBERT W.*
Robert W. Baird & Co., Milwaukee
HAGAN, III, JOHN C.*
Mason-Hagan, Inc., Richmond
HAIRE, JOHN R.*
New York Stock Exchange, New York
HALL, DENTON D.
Spencer Trask & Co., New York
HALLIBURTON, GUS G.*
Equitable Securities Corp., Nashville
HALLOWELL, HENRY R.*
Hallowell, Sulzberger & Co. Philadelphia
HAMMOND, W. H.
Braun, Bosworth & Co., Chicago
HANNAFORD, JAMES D.
Dawson, Hannaford, Inc., New York
HANRAHAN, PAUL B.*
Hanrahan & Co., Worcester
HANSEL, DOUGLAS
Shields & Co., New York
HANSON, MURRAY
Investment Bankers, Assn., Washington
HAPP, WILLIAM A.
St. Louis Globe-Democrat, St. Louis
HARDING, WILLIAM G.*
Coffin & Burr, Boston
HARDY, Jr., EDWARD K.
The Illinois Company, Chicago
HARKINS, CHARLES B.
Blyth & Co., San Francisco
HARKNESS, ROBERT B.
Dwinnell, Harkness & Hill, Boston
HARRINGTON, FULLER A. (GUS)*
Harrington & Co., Jackson
HARRIS, DAVID J.
Bache & Co., Chicago
HARRIS, HENRY L.
Goldman, Sachs & Co., New York
HARTILL, CREIGHTON
Arnold & S. Bleichroeder, New York
HASSMAN, ELMER G.
A. G. Becker & Co., Chicago
HATCHER, LLOYD B.
White, Weld & Co., New York
HATCHER, MAURICE M.*
First National Bank, Dallas
HATTIER, Jr., GILBERT*
White, Hattier & Sanford, New Orleans
HAUSER, ALFRED H.*
Chemical Corn Exchange Bank, New York
HAUSSERMANN, ARTHUR H.*
Vance, Sanders & Co., Boston
HAWES, HARDIN H.*
Harris Trust & Savings Bank, Chicago
HAYDEN, DONALD W.
Baumgartner, Downing & Co., Baltimore
HAYES, MILTON J.
American National Bank, Chicago
HAYES, PHILIP
Wall Street Journal, New York
HAYES, EDDE K.
Dean Witter & Co., Chicago
HEALY, GEORGE P.*
Adamex Securities Corporation, New York
HECHT, JOHN C.
Dempsey-Tegeler & Co., Los Angeles
HEFFERN, GORDON E.
National City Bank, Cleveland
HEFFERMAN, PAUL
New York Times, New York
HEISKELL, RAYMOND F.
C. F. Childs & Co., New York

HELLER, JAMES M.
Shearson, Hammill & Co., New York
HENDERSON, TED C.
T. C. Henderson & Co., Des Moines
HENDRIX, JAMES R.*
Hendrix & Mayes, Birminghom
HERBERT, THOMAS J.*
Hugh W. Long & Co., Elizabeth
HERZER, KARL P.
Winslow, Cohu & Stetson, New York
HESS, ARLEIGH P.*
Woodcock, Hess, Moyer & Co., Philadelphia
HEWARD, JAMES W.*
Butcher & Sherrerd, Philadelphia
HEWITT, CHARLES L.*
Francis I. duPont & Co., New York
HIBBERD, WILLIAM W.
Trust Company of Georgia, Atlanta
HICKEY, III, MATTHEW J.
Hickey & Co., Chicago
HILDRETH, WILLIAM S.*
Peoples National Bank, Charlottesville
HILL, MALVERN
Malvern Hill & Co., New York
HILLIARD, HENNING*
J. J. B. Hilliard & Sons, Louisville
HILSON, JOHN S.*
Wertheim & Co., New York
HOBAN, EDWARD F.
McMahon & Hoban, Chicago
HOBBS, Jr., WILLIAM G.
Creston H. Funk, Hobbs & Co., San Antonio
HOLLAN, JOHN V.
Barr Brothers & Co., New York
HOLMES, JENTRY S.
International Finance Corp., Washington
HOLMES, Mrs. JENTRY S. (ELAINE)
Investment Bankers Assn., Washington
HOLT, NEIL M.
J. P. Morgan & Co., New York
HOPKINSON, Jr., EDWARD
Drexel & Co., Philadelphia
HORNER, EDWIN B.*
Scott, Horner & Co., Lynchburg
HORNER, Jr., EDWIN B.
Scott, Horner & Co., Lynchburg
HORNING, BERT H.
Dempsey-Tegeler & Co., St. Louis
HORNER, DeWITT
First National City Bank, New York
HORTON, ARTHUR
Penington, Colket Co., Philadelphia
HAUSMAN, RUSSELL*
New York Herald Tribune, New York
HOUSTON, B. F.*
Dallas Union Securities Company, Dallas
HOWARD, C. EDWARD*
Piper, Jaffray & Hopwood, Minneapolis
HOWARD, Jr., GEORGE H.
Harris, Upham & Co., New York
HOWARD, KENNETH J.*
J. A. Hogle & Co., New York
HOWARD, ROBERT G.*
Reynolds & Co., New York
HOWE, JAMES M.
Farwell, Chapman & Co., Chicago
HUDSON, FRED W.*
Ball, Burge & Kraus, Cleveland
HUGHES, ALBERT R.*
Lord, Abbett & Co., New York

HUGHES, WILLIAM S.*
Wagenseller & Durst, Los Angeles
HULME, MILTON G.*
Glover & MacGregor, Pittsburgh
HUMPHREY, Jr., ARTHUR F.*
Hulme, Applegate & Humphrey, Pittsburgh
HUNT, E. JANSEN
White, Weld & Co., New York
HUNT, Jr., ROY F.
Alester G. Furman Co., Greenville
HUNTER, DAVID W.
McKelvy & Co., Pittsburgh
HUNTER, FRANK H.
McKelvy & Co., Pittsburgh
HURLEY, WILLIAM L.
Baker, Simonds & Co., Detroit
HURT, ROBERT G.
Calvin Bullock, Ltd., San Francisco
HUTTON, Jr., JAMES M.
W. E. Hutton & Co., Cincinnati
HYDE, J. HINDON
Henry Herrman & Co., New York
IJAMS, MAITLAND T.
W. C. Langley & Co., New York
ILLOWAY, LAWRENCE B.
Penington, Colket & Co., Philadelphia
JACKSON, Jr., W. C. (DECKER)*
First Southwest Company, Dallas
JACOBS, Jr., HARRY A.
Bache & Co., New York
JACQUES, JAMES F.*
First Southwest Company, Dallas
JAMESON, ROBERT*
Pohl & Co., Cincinnati
JARDINE, Jr., J. EARLE*
William R. Staats & Co., Los Angeles
JARVIS, HAROLD G.
A. E. Ames & Co., New York
JENKS, MORTON
Jenks, Kirkland, Grubbs & Keir, Philadelphia
JENNETT, EDWARD J.
First National Bank, Chicago
JOHNSON, DAVID T.
Johnson, Lane, Space & Co., Savannah
JOHNSON, JOSEPH T.*
The Milwaukee Company, Milwaukee
JOHNSON, MARSHALL H.*
McDaniel Lewis & Co., Greensboro
JOHNSON, ROBERT C.*
Kidder, Peabody & Co., New York
JOHNSON, THOMAS M.
Johnson, Lane, Space & Co., Savannah
JONES, EDWARD D.
Edward D. Jones & Co., St. Louis
JONES, GRAHAM*
Cooley & Co., Hartford
JOSEPH, HERMAN B.
Joseph, Mellen & Miller, Cleveland
JUST, PAUL A.
Television Shares Management Corp., Chicago
KANDLIK, EDWARD A.*
Chicago Daily News, Chicago
KAUFMAN, C. G.*
Rodman & Renshaw, Chicago
KELLOGG, III, JAMES C.*
New York Stock Exchange, New York

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Attendance at IBA Convention

KEMBLE, WILLIAM T.*
Estabrook & Co., Boston
KEMP, GEORGE S.*
Abbott, Proctor & Paine, Richmond
KENNEDY, FRANK T.*
C. J. Devine & Co., New York
KENNY, JOHN J.*
J. J. Kenny Co., New York
KERESEY, JAMES F.*
Baker, Weeks & Co., New York
KERR, WILLIAM D.
Bacon, Whipple & Co., Chicago
KEUSCH, ERNEST E.
W. E. Hutton & Co., New York
KILBURN, PETER*
Greenshields & Co., Montreal
KING, FRANCIS S.
The First Boston Corporation, Boston
KING, Jr., ROBERT
First Securities Corporation, Durham
KINGSMILL, J. A.
Investment Dealers' Association, Toronto
KINGSTON, Jr., WALTER D.
E. F. Hutton & Co., New Orleans
KNEASS, GEORGE B.*
Philadelphia National Bank, Philadelphia
KNIGHT, NEWELL S.
Mercantile Trust Company, St. Louis
KNOOP, A. PETER*
Auchincloss, Parker & Redpath, New York
KNOTHE, STANNARD B.*
Halle & Stieglitz, New York
KNOX, WILLIAM S.
The Wellington Company, Atlanta
KOCUREK, ARNOLD J.
Rauscher, Pierce & Co., San Antonio
KOERNER, IRVING
Allen & Co., New York
KREY, JOHN
Reynolds Metals Company, Richmond
KROHN, LEWIS M.*
Ira Haupt & Co., New York
KRUSE, JOHN A.
Prescott, Shepard & Co., Cleveland
KRUSEN, H. STANLEY
Shearson, Hammill & Co., New York
LACEY, WILLIAM
F. Eberstadt & Co., New York
LAFFEY, EDWIN W.*
W. C. Langley & Co., New York
LANAHAN, Jr., W. WALLACE*
Stein Bros. & Boyce, Baltimore
LANDSTREET, III, BEVERLY W.
Clark, Landstreet & Kirkpatrick, Nashville
LARKIN, THOMAS A.*
Goodbody & Co., New York
LATSHAW, JOHN
E. F. Hutton & Co., Kansas City
LOUD-BROWN, WELLS*
Bankers Trust Company, New York
LAWLOR, Jr., WILLIAM J.
Hornblower & Weeks, Chicago
LAWRENCE, DAVID F.
Boettcher & Co., Denver
LEAR, EUGENE H.*
Reed, Lear & Co., Pittsburgh
LEDYARD, Q. R.
Equitable Securities Corporation, Nashville
LEEK, J. RAYMOND
Bioren & Co., Philadelphia
LEEMING, CHARLES E.
Chicago Tribune, New York
LEMKAU, HUDSON B.
Morgan Stanley & Co., New York
LEMON, JAMES H.*
Johnston, Lemon & Co., Washington
LENZ, WINTHROP C.*
Merrill, Lynch, Pierce, Fenner & Bean, New York
LEVERING, WALTER B.
Carlisle & Jacquelin, New York
LEWIS, MILTON F.*
A. G. Becker & Co., New York
LEWIS, ROBERT J.*
Estabrook & Co., New York
LEWIS, SALIM L.
Bear, Stearns & Co., New York
LINCOLN, Miss MARY
Investment Bankers Assn., Washington
LIND, HERMAN L.*
Camp & Co., Portland
LINEN, JOHN S.
The Chase Manhattan Bank, New York
LITTLE, ALDEN H.*
Investment Bankers Assn., Hollywood
LOCKETT, JOSEPH F.
Townsend, Dabney & Tyson, Boston
LOEB, HENRY A.*
Carl M. Loeb, Rhoades & Co., New York
LOEWI, J. VICTOR
Loewi & Co., Milwaukee
LOGSDON, KELLOGG
Farwell, Chapman & Co., Chicago
LONG, HUGH W.*
Hugh W. Long & Co., Elizabeth
LONGSTAFF, RALPH S.
Taylor, Rogers & Tracy, Chicago
LOOMIS, JOHN S.
The Illinois Company, Chicago
LORD, Jr., ARNOLD J.
Eaton & Howard, Boston
LOUD, NELSON
F. Eberstadt & Co., New York
LOVE, MALCOLM E.
Barr Brothers & Co., New York
LOW, V. THEODORE
Bear, Stearns & Co., New York
LUBETKIN, LLOYD E.
Lubetkin, Regan & Kennedy, New York
LUBY, JOSEPH M.
Commerce Trust Company, Kansas City
LUCAS, B. W.*
Fort Worth National Bank, Fort Worth
LUCAS, Jr., MARK A.
Lucas, Eisen & Waeckerle, Kansas City
LUNDFELT, CHARLES E.
McCormick & Co., Chicago
LYKLEMA, WALTER C.
A. C. Allyn & Co., Chicago
LYNCH, III, THOMAS*
Moore, Leonard & Lynch, Pittsburgh
LYNE, LEWIS F.*
Mercantile National Bank, Dallas
LYNN, GENE
Wertheim & Co., New York
LYNN, HENRY S.
Sterne, Agee & Leach, Birmingham
LYONS, KEVIN
Lyons & Shafto, Boston
LYONS, LAWRENCE H.
Allen & Co., New York
LYONS, SAM B.
Finance Magazine, Chicago
LYONS, Jr., W. L.*
W. L. Lyons & Co., Louisville
MacDONALD, GEORGE C.*
McLeod, Young, Weir, Inc., New York
MACHOLD, WILLIAM F.*
Drexel & Co., Toronto
MacLEAN, C. W.
Gairdner & Co., Toronto
MACLIN, LUTTRELL
Paine, Webber, Jackson & Curtis, New York
MACY, NORMAN L.
The First Boston Corporation, New York
MAGNUS, WILLIAM S.*
Magnus & Co., Cincinnati
MANLEY, MILTON A.
Manley, Bennett & Co., Detroit
MANNING, STEVENS
Paine, Webber, Jackson & Curtis, Los Angeles
MARCKWALD, ANDREW K.*
Discount Corporation, New York
MARTIN, GEORGE L.*
International Bank, New York
MATHEWS, Jr., ROBERT C.
Trust Company of Georgia, Atlanta
MATHISON, GEORGE
Milwaukee Sentinel, Milwaukee
MATTON, CHARLES F.*
Wachovia Bank & Trust Co., Winston-Salem
MAXWELL, J. M.*
The Northern Trust Company, Chicago
MAY, J. DENNY
The Parker Corporation, Boston
MAYNARD, WALTER
Shearson, Hammill & Co., New York
McANDREWS, MARTIN J.
Hemphill, Noyes & Co., New York
McCALL, ARTHUR C.*
Alester G. Furman Co., Greenville
McCANDLESS, JOHN A.
Vance, Sanders & Co., Boston
McCONNEL, Jr., W. BRUCE
Singer, Deane & Scribner, Pittsburgh
McCORMACK, FRANK
H. Hentz & Co., New York
McCORMICK, EDWARD T.
American Stock Exchange, New York
McDONALD, H. ALEX*
McDonald-Moore & Co., Detroit
McDONNELL, DONALD N.
Blyth & Co., New York
McELROY, DAVID B.*
J. P. Morgan & Co., New York
McEVOY, Mrs. BERNARDINE
With Mr. & Mrs. Ralph W. Simonds, Detroit
McGEE, CUSHMAN*
R. W. Pressprich & Co., New York
McINTYRE, WILLIAM T.
R. S. Dickson & Co., New York
McKEON, STEPHEN G.
Chas. W. Scranton & Co., New Haven
McKIE, STANLEY
The Weil, Roth & Irving Co., Cincinnati
McKINNEY, CLIFFORD P.
G. H. Walker & Co., St. Louis
McLELLAN, PHILIP F.*
Massachusetts Life Fund Distributors, Boston
McLEOD, C. ANDERSON*
Chemical Corn Exchange Bank, New York
McMAHON, EUGENE G.*
J. Barth & Co., New York
McNURLEN, PRESTON J.
F. S. Moseley & Co., Chicago
MEAD, ROBERT G.*
Stone & Webster Securities Corp., Chicago
MEAD, W. CARROLL*
Mead, Miller & Co., Baltimore
MEANS, J. W.*
First Southeastern Corporation, Atlanta
MENDEL, LEO
Manufacturers Trust Co., New York
MERRELL, ROLAND*
Lee Higginson Corp., New York
MEYER, Jr., MAURICE*
Hirsch & Co., New York
MEYERS, EDWARD J.
Laidlaw & Co., New York
MIDDLEMIST, JOHN H.*
Northwestern National Bank, Minneapolis
MILLER, CHARLES M.
Mullaney, Wells & Co., Chicago
MILLER, DUNCAN
Laird & Co., Corporation, New York
MILLER, GLEN R.*
Cruttenden, Podesta & Co., Chicago
MIRALIA, DAVID T.*
Kuhn, Loeb & Co., New York
MITCHELL, JOHN N.
Caldwell, Marshall, Trimble & Mitchell, New York
MITCHELL, ROBIE L.*
Mitchell, Pershing, Shetterly & Mitchell, New York
MOHR, Jr., SIDNEY J.
Thornton, Mohr & Farish, Montgomery
MOON, RUSSELL F.
Shearson, Hammill & Co., Chicago
MOONEY, Jr., URBAN D.*
Fahnestock & Co., New York
MOORE, RODERICK D.*
Branch, Cabell & Co., Richmond
MOREHOUSE, EDWARD J.
Harriman Ripley & Co., New York
MOREY, RICHARD
A. G. Edwards & Sons, St. Louis
MORGAN, CHARLES F.
Morgan Stanley & Co., New York
MORGAN, EVANS G.*
The Hanover Bank, New York
MORGAN, WALTER L.
The Wellington Co., Philadelphia
MOKRIS, FRANK E.
Investment Bankers Assn., Washington
MORRIS, PAT G.*
The Northern Trust Co., Chicago
MORRISON, Jr., WILLIAM S.
Harris Trust & Savings Bank, Chicago
MORSE, Jr., CHARLES L.
Hemphill, Noyes & Co., New York
MORSE, ED
Associated Press, New York
MORSE, EDMOND N.
Smith, Barney & Co., New York
MORSE, FRANK H.
Lehman Brothers, New York
MORSE, WALTER E.
Lehman Brothers, New York
MORTON, Jr., JOHN M. R.
Natl. Securities & Research Corp., New York
MORTON, ROALD A.*
Blue List Publishing Co., New York
MORTON, WILLIAM H.*
W. H. Morton & Co., New York
MOULTON, DONALD W.*
R. H. Moulton & Co., Los Angeles
MOWER, Jr., EDWARD B.
Newhard, Cook & Co., St. Louis
MUIR, EDWARD D.*
Muir Investment Corp., San Antonio
MULDOWNEY, JOSEPH J.
Scott & Stringfellow, Richmond
MULLANEY, PAUL L.
Mullaney, Wells & Co., Chicago
MUNFORD, BEVERLEY B.
Davenport & Co., Richmond
MURPHY, DENNIS E.*
The Ohio Company, Columbus
MURPHY, LESTER V.
Barr Brothers & Co., New York
MURPHY, RICHARD G.*
B. J. Van Ingen & Co., New York
MURRAY, C. IVOR
Nesbitt, Thomson & Co., New York
MURRAY, LEONARD A.*
Piper, Jaffray & Hopwood, St. Paul
NAGLE, WILLIAM G.
Discount Corporation, New York
NEUHAUS, JOSEPH R.*
Underwood, Neuhaus & Co., Houston
NEUMARK, ARTHUR J.
H. Hentz & Co., New York
NEWBURGER, Jr., FRANK L.*
Newburger & Co., Philadelphia
NEWHARD, CHAPIN S.
Newhard, Cook & Co., St. Louis
NEWHARD, HARRY W.
Newhard, Cook & Co., St. Louis
NEWMAN, Jr., A. JOSEPH*
Philadelphia Bulletin, Philadelphia
NEWSOME, JOHN C.
Tucker, Anthony & R. L. Day, New York
NICHOLSON, DANIEL F.
1. N. La Salle Street, Chicago
NIELSEN, EINER
J. C. Bradford & Co., Nashville
NISBET, Jr., W. OLIN*
Interstate Securities Corp., Charlotte
NIX, ALLEN J.
Riter & Co., New York
NOONAN, Jr., WILLIAM A.
Continental Illinois National Bank, Chicago
NOYES, BLANCKE*
Hemphill, Noyes & Co., New York
NUGENT, JOSEPH C.
Mabon & Co., New York
O'DAY, DANIEL
The Northern Trust Co., New York
O'HARA, WALTER T.
Thomson & McKinnon, New York
O'KEEF, ROBERT H.*
The Marshall Co., Milwaukee
O'LEARY, EDMUND G.
Eastman Dillon, Union Securities & Co., New York
OLDERMAN, RUSSELL J.*
Hayden, Miller & Co., Cleveland
ORNDORFF, HARVEY H.*
Blunt Ellis & Simmons, Chicago
OSBORN, II, JAMES E.
Dominick & Dominick, New York

*Denotes Mr. and Mrs.

OSGOOD, GILBERT H.
Blunt Ellis & Simmons, Chicago
OSTRANDER, LEE H.
William Blair & Co., Chicago
OTIS, C. BARRON*
The Bond Buyer, New York
OWEN, IRA D.
Allison-Williams Co., Minneapolis
PANCOAST, JOHN W.*
Dewar, Robertson & Pancoast, San Antonio
PARCELLS, Jr., CHARLES A.*
Charles A. Parcells & Co., Detroit
PARKER, AMORY*
The Parker Corporation, Boston
PARKER, H. LAWRENCE
Morgan Stanley & Co., New York
PARKER, H. S.*
Kay, Richards & Co., Pittsburgh
PARRY, SIDNEY L.
De Coppet & Doremus, New York
PATTBERG, Jr., EMIL J.*
The First Boston Corp., New York
PATTERSON, HAROLD C.*
Securities & Exchange Commission, Washington
PAYNE, CARR
Cumberland Securities Corp., Nashville
PECK, ANDREW F.
Clark, Dodge & Co., New York
PECK, ARNOLD M.
Dominick & Dominick, New York
PELIKAN MILES*
John Nuveen & Co., Chicago
PENDERGRAST, THOMAS J.
Courts & Co., Atlanta
PERKO, JOHN F.
J. F. Perko & Co., Cleveland
PERSHING, F. W.*
Pershing & Co., New York
PERSHING, JOHN, Jr.*
Government Development Bank, San Juan
PETERS, GERALD P.*
Peters, Writer & Christensen, Denver

*Denotes Mr. and Mrs.

PEVEAR, WILLIAM W.*
Irving Trust Company, New York
PEYSER, BENJAMIN F.
Newburger, Loeb & Co., New York
PFEFFER, DELMONT K.*
First National City Bank, New York
PHILLIPS, RALPH E.
Dean Witter & Co., Los Angeles
PIERCE, CHARLES C.
Rauscher, Pierce & Co., Dallas
PITFIELD, WARD C.*
W. C. Pitfield & Co., New York
PLATT, CHARLES M.*
U. S. News & World Report, Washington
PLENTY, ROYAL H.
Philadelphia Inquirer, Philadelphia
POOLE, MONROE V.*
Geo. B. Gibbons & Co., New York
POPPER, ELVIN K.
I. M. Simon & Co., St. Louis
PORTER, WILLIAM C.
Dittmar & Co., San Antonio
POWELL, JAMES M.
Boettcher & Co., Denver
POWELSON, RALPH J.
Leedy, Wheeler & Alleman, Orlando
POWERS, ROBERT A.
Smith, Barney & Co., New York
PRATT, ALBERT*
Paine, Webber, Jackson & Curtis, Boston
PRATT, MARSOM B.*
Estabrook & Co., Boston
PROSSER, MALCOLM S.*
Seattle-First National Bank, Seattle
PURKISS, Albert C.*
Walston & Co., New York
PUTNAM, ALBERT D.
Putnam & Co., Hartford
PUTNAM, HENRY W.*
De Coppet & Doremus, New York
QUIGG, JAMES F.
Paine, Webber, Jackson & Curtis, New York
QUINN, ARTHUR P.*
Quinn & Co., Albuquerque

QUIST, LEO L.
Harold E. Wood & Co., St. Paul
RADEMAKER, HENRY A.
Equitable Securities Corp., New York
RAFFENSPERGER, G. WILLIAM*
Raffensperger, Hughes & Co., Indianapolis
RAISS, JOHN*
Burnham & Co., New York
RALPH, THOMAS L.
Fidelity-Philadelphia Trust Company, Philadelphia
RAND, THORBURN*
Rand & Co., New York
RANKIN, HARLEY L.*
Goldman, Sachs & Co., Philadelphia
RAUCH, ALFRED*
Kidder, Peabody & Co., Philadelphia
REDMAN, W. BUY
A. G. Edwards & Sons, St. Louis
REED, JOHN J.*
Straus, Blosser & McDowell, Chicago
REED, WILLIAM L.*
Robert Garrett & Sons, Baltimore
REFSNES, Jr., JOSEPH L.*
Refsnes, Ely, Beck & Co., Phoenix
REILLY, F. VINCENT
Commercial & Financial Chronicle, New York
REISSNER, FRANK L.
Indianapolis Bond & Share Corp., Indianapolis
RENDIGS, Jr., CHARLES W.
Bache & Co., New York
RENO, JOHN W.*
Carl M. Loeb, Rhoades & Co., New York
REUTER, F. BRIAN*
Mellon National Bank, Pittsburgh
REX, WILLIAM M.
Clark, Dodge & Co., New York
REYNOLDS, IRVINE W.*
Copley Newspapers, San Diego
REYNOLDS, RICHARD S., Jr.*
Reynolds Metals Company, Richmond
RHOADS, PHILIP J.*
First National Bank, Oklahoma City
RICHARDSON, DONALD L.*
Nauman, McFawn & Co., Detroit
RIEPE, J. CREIGHTON*
Alex. Brown & Sons, Baltimore
ROBBINS, CHANDLER
M. A. Schapiro & Co., New York
ROBERTS, MALCOLM F.
Garrett-Bromfield & Co., Denver
ROBERTS, WILLIAM J.
Glore, Forgan & Co., Chicago
ROBINSON, ARTHUR G.
Wertheim & Co., New York
ROBINSON, EDWARD H.
Schwabacher & Co., New York
ROBINSIN, RAYMOND L.*
Barrett-Bromfield & Co., Denver
ROCKEFELLER, Jr., AVERY
Dominick & Dominick, New York
RODDY, JAMES E.
Scharff & Jones, New Orleans
ROEHL, ORA C.
Keystone Company, Boston
ROGERS, DONALD I.*
New York Herald Tribune, New York
ROGERS, PHILIP O.
John C. Legg & Co., Baltimore
ROOSEVELT, JULIAN K.
Dick & Merle-Smith, New York
ROSE, MIDDLETON*
Laird, Bissell & Meeds, New York
ROSS, ALFRED J.
Dick & Merle-Smith, New York
ROUSE, ROBERT G.
Federal Reserve Bank, New York
ROWE, ROBERT G.*
Stroud & Co., Philadelphia
ROWLEY, JAMES
Chemical Corn Exchange Bank, New York
RUSSELL, JAMES A.
Van Alstyne, Noel & Co., New York
SAFANIE, MURRAY D.
Shearson, Hammill & Co., New York
SAGE, II, ANDREW G. C.
Lehman Brothers, New York
SANDERS, JESSE A.*
Sanders & Co., Dallas
SAVARD, J. ERNEST
Savard & Hart, Montreal
SCHANCK, Jr., FRANCIS R.
Bacon, Whipple & Co., Chicago
SCHAPIRO, MORRIS A.
M. A. Schapiro & Co., New York
SCHLUTER, HAROLD J.
First National Bank of Chicago, New York
SCHMELZLE, ALBERT M.*
Fusz-Schmelzle & Co., St. Louis
SCHMIDT, WALTER A.*
Schmidt, Poole, Roberts & Parke, Philadelphia
SCHOENEBERGER, CHARLES A.
National Boulevard Bank, Chicago
SCHREDER, HAROLD X.*
Distributors Group, Inc., New York
SCHWABACHER, Jr., ALBERT E.
Schwabacher & Co., San Francisco
SCOTT, BUFORD
Scott & Stringfellow, Richmond
SCUDDER, DANA B.
First National City Bank, New York
SEBEL, HARRY L.*
Selected Investments Co., Chicago
SEEBECK, ROBERT F.
Hemphill, Noyes & Co., New York
SENER, JOSEPH W.*
John C. Legg & Co., Baltimore
SEVERANCE, CRAIG
F. Eberstadt & Co., New York
SEVING, FREDERICK T.*
Butcher & Sherrerd, Philadelphia
SHANKS, WILLIAM S.
The Bond Buyer, New York
SHAW, GEORGE N.*
Municipal Finance Officers Assn., Miami
SHAW, LEO G.
Ladenburg, Thalmann & Co., New York
SHEA, J. EARL
Chicago American, Chicago
SHEAFFER, THEODORE C.
Janney, Dulles & Battles, Philadelphia
SHELTON, LOCKETT*
Republic National Bank, Dallas
SHEPARD, ROBERT O.*
Presscott, Shepard & Co., Cleveland
SHERBURNE, HAROLD H.
Bacon, Whipple & Co., New York
SHERRILL, VIRGIL*
Shields & Co., New York
SHIELDS, CORNELIUS*
Shields & Co., New York
SHOLLEY, S. L.*
Keystone Company, Boston
SHREVE, WICKLIFFE
Hayden, Stone & Co., New York

SIEFERT, RUSSELL E.*
Stern Brothers & Co., Kansas City
SIMONDS, RALPH W.*
Baker, Simonds & Co., Detroit
SIMONSON, HARRY*
Natl. Securities & Research Corp., New York
SIMPSON, Jr., F. BRADFORD
Hallgarten & Co., New York
SIMPSON, WILLIAM G.*
Simpson, Emery & Co., Pittsburgh
SIPP, Jr., PAUL L.*
Stern, Lauer & Co., New York
SLADE, JARVIS
F. Eberstadt & Co., New York
SLEZAK, G. EDWARD
The Milwaukee Company, Milwaukee
SMITH, DUANE T.*
The Small-Milburn Company, Wichita
SMITH, J. RAYMOND
Weeden & Co., New York
SMITH, NORMAN*
Merrill Lynch, Pierce, Fenner & Beane, New York
SMITH, ROBERT H.
Laurence M Marks & Co., New York
SMUCKER, O. M.
Sun-Times, Chicago
SMUTNY, RUDOLF*
R. W. Pressprich & Co., New York
SORENSEN, WALTER M.*
Rotan, Mosle & Co., Houston
SPACE, JULIAN A.*
Johnson, Lane, Space & Co., Savannah
SPENCE, W. FREDERICK
Townsend, Dabney & Tyson, Boston
STAFFORD, JOHN H.
Lee Higginson Corporation, New York
STAMBAUGH, JOHN H.*
Vanderbilt University, Nashville
STANSBERRY, FLOYD F.
Bankers Trust Company, New York
STAPLES, JACK R.
Fulton Reid & Co., Cleveland
STARRING, Jr., MASON B.
A. C. Allyn & Co., New York
STEARNS, GEORGE*
The Economist, Chicago

STEARNS, JAMES P.*
Ball, Burge & Kraus, Cleveland
STEEL, WALTER H.*
Drexel & Co., New York
STEIWER, FREDERICK H.
Alex. Brown & Sons, New York
STEPHENS, JACK*
Stephens, Inc., Little Rock
STEVENSON, G. C.*
Bacon, Stevenson & Co., New York
STEVENSON, III, ROBERT
Investment Bankers Assn., Washington
STODDARD, DONALD A.*
Guaranty Trust Company, New York
STOKES, EDWARD B.
Elkins, Morris, Stokes & Co., Philadelphia
STOLLE, CARL
G. A. Saxton & Co., New York
STONE, Jr., FRED D.*
Marine Trust Company, New York
STRADER, LUDWELL A.
Strader & Co., Lynchburg
STRAVITZ, HENRY*
Swiss American Corp., New York
STROUD, DONALD
McDonnell & Co., New York
SWANSON, Sr., EVERETT C.
Atwill & Co., Miami Beach
SYKES, MACRAE*
Shields & Co., New York
TAYLOR, EATON
Dean Witter & Co., San Francisco
TAYLOR, GERRETT H.*
Wood, Gundy & Co., New York
TEGELER, JEROME F.
Dempsey-Tegeler & Co., St. Louis
TERRELL, ALLEN M.
Girard Trust Corn Exchange Bank, Philadelphia
THACKARA, CHARLES V.
Thackara, Grant & Co., New York
THAYER, ROBERT L.
Lehman Brothers, New York
THEIS, HARRY
Albert Theis & Sons, St. Louis

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Attendance at IBA Convention

THEIS, Mrs. HARRY (ELIZABETH)
With Harry Theis, St. Louis
THIERIOT, CHARLES H.*
Carlisle & Jacquelin, New York
THOMPSON, HAL
Chicago American, Chicago
THORS, J. EMERSON*
Kuhn, Loeb & Co., New York
THORS, JAY E.
Asiel & Co., New York
TODD, WILLIAM H.
Kuhn, Loeb & Co., New York
TOMASIC, ANTHONY E.*
Thomas & Co., Pittsburgh
TORREY, DAVID L.
W. C. Pitfield & Co., New York
TOWNE, Jr., JOHN D. C.*
Government Development Bank, San Juan
TRESCH, ARTHUR
A. E. Masten & Co., Pittsburgh
TREUHOLD, EUGENE*
L. F. Rothschild & Co., New York
TRIGGER, RAYMOND*
Investment Dealers' Digest, New York
TRIMBLE, GEORGE S., Jr.
The Martin Company, Baltimore
TRIPP, JEROME C. L.
Tripp & Co., New York
TROST, MILTON S.*
Stein Bros. & Boyce, Louisville
TROSTER, OLIVER J.
Troster, Singer & Co., New York
TSOLAINOS, K. P.*
Baker, Weeks & Co., New York
TURBEN, CLAUDE F.
Merrill, Turben & Co., Cleveland
TURNER, ARTHUR C.
New York Hanseatic Corporation, New York
UNDERHILL, ARTHUR J. C.
Arthur Wiesenberger & Co., New York
UNDERWOOD, MILTON R.
Underwood, Neuhaus & Co., Houston
UNTERBERG, THOMAS I.
C. E. Unterberg, Towbin Co., New York
VALENTINE, HENRY L.
Davenport & Co., Richmond
VAN ALSTYNE, Jr., DAVID
Van Alstyne, Noel & Co., New York
VAN HEUKELOM, CAREL W.
Television Shares Management Corporation, New York
VEAZIE, WILES W.
Mabon & Co., New York
VIALE, CHESTER*
L. F. Rothschild & Co., New York
VINSON, EGERTON B.
DeHaven & Townsend, Crouter & Bodine, New York
VIVIAN, RICHARD C.*
The First Boston Corporation, New York
WADE, GEORGE S.
Stranahan, Harris & Co., Toledo
WADSWORTH, ARTHUR L.*
Dillon, Read & Co., New York
WAECKERLE, HAROLD E.
Lucas, Eisen & Waeckerle, Kansas City
WAGNER, ROBERT L.
Leedy, Wheeler & Alleman, Orlando
WALBERT RICHARD B.
Blyth & Co., Chicago
WALDMANN, GEORGE R.
Mercantile Trust Company, New York
WALKER, GRAHAM*
McManus & Walker, New York
WALKER, LOUIS
G. H. Walker & Co., Hartford
WANDERS, GEORGE*
The Bond Buyer, New York
WASSERMAN, JOHN
Asiel & Co., New York
WATKINS, MILES A.*
Stubbs, Smith & Lombardo, Birmingham
WATTERSON, WILLIAM H.
Fahey, Clark & Co., Cleveland
WEEDEN, ALAN N.*
Weeden & Co., New York
WEHMANN, GILBERT H.
White, Weld & Co., New York
WEHRHEIM, ROBERT V.
Philadelphia National Bank, Philadelphia
WEINTRAUB, ALLAN
Bear, Stearns & Co., New York
WENDT, GEORGE B.
First National Bank, Chicago
WERLY, CHARLES M.*
Putnam Fund Distributors, Boston
WESTERVELT, PAUL T.*
Howard, Weil, Labouisse, Friedrichs & Co., New Orleans
WHITBECK, BRAINERD H.*
The First Boston Corp., New York
WHITE, GILBERT*
R. D. White & Co., New York
WHITE, KELTON E.
G. H. Walker & Co., St. Louis
WHITE, Mrs. KELTON E. (ALMA)
With Kelton E. White, St. Louis
WHITESIDE, THOMAS
Chace, Whiteside, West & Winslow, Boston
WHITLOCK, DANIEL P.*
Ladenburg, Thalmann & Co., New York
WHITNEY, LEWIS F.
Dempsey-Tegeler & Co., Los Angeles
WHITTLESEY, ALBERT W.
First Pennsylvania Banking & Trust Co., Philadelphia
WIESENBERGER, ARTHUR
Arthur Wiesenberger & Co., New York
WILDE, BERTRAM M.
Janney, Dulles & Battles, Philadelphia
WILEY, JOHN E.
Gairdner & Co., New York
WILHIDE, CLAUDE W.*
Baker, Watts & Co., Baltimore
WILLIAMS, Jr., C. T.
C. T. Williams & Co., Baltimore
WILSON, ALFRED G.
Newburger, Loeb & Co., New York
WILSON, CARLTON P.*
Robert W. Baird & Co., Milwaukee
WILSON, FRANK
Barron's Weekly, New York
WILSON, HARVEY D.
Model, Roland & Stone, New York
WINPENNY, Jr., EDWARD L.
Laird & Co., Corporation, New York
WINSLOW, SAMUEL R.
Winslow, Cohu & Stetson, New York
WISE, JOSEPH B.
Dean Witter & Co., New York
WITTER, WILLIAM M.
Dean Witter & Co., Chicago
WOLL, ALBERT J. T.
Hayden, Stone & Co., Boston
WONHAM, FRED S.
G. H. Walker & Co., New York
WOOD, DAVID M.*
Wood, King & Dawson, New York
WOOD, FRANK A.*
Goodbody & Co., New York
WOOD, KENNETH H.
J. C. Bradford & Co., New York
WREN, LAWRENCE
Allen & Co., N. Y.
WREN, PAUL I.*
U. S. Treasury Department, Washington
WULBERN, EDWARD B.*
Pierce, Carrison, Wulbern, Inc., Jacksonville
YOUMANS, PAUL E.
Bosworth, Sullivan & Co., Denver
YUNKER, ROSWELL J.
A. M. Kidder & Co., New York
ZAHNER, VICTOR H.
Zanner & Co., Kansas City
ZEUGNER, ORLAND K.
Stone & Webster Securities Corp., New York

*Denotes Mr. and Mrs.

Paul Sarnoff With John H. Kaplan Co.

Paul Sarnoff, formerly an investment advisor and manager of the New York office of Savard & Hart, has become associated with John H. Kaplan & Co., 120 Broadway, New York City, members of the New York Stock Exchange, as manager of their mutual funds department.

John H. Kaplan & Co. also maintains an office at the Hotel Fontainebleau at Miami Beach.

McDonnell & Co. Will Admit Robert E. Becker

McDonnell & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Robert E. Becker, a member of the Exchange, to partnership.

Form L. Schenck Co.

L. Schenck & Co. has been formed with offices at 9 Maiden Lane, New York City, to engage in a securities business. Partners are Nathan Needelman and Stanley A. Schenck.

Revel Miller Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Andrew D. Berkey II has been added to the staff of Revel Miller & Co., 650 South Spring Street, members of the Pacific Coast Stock Exchange.

With Cunningham Cleland

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif. — John C. Yavorsky is now with Cunningham-Cleland Company, Orpheum Theatre Building.

With J. F. Lynam

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — John O. Shields is now connected with J. F. Lynam & Co., Inc., 111 South Meramec Avenue.

With L. A. Caunter

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Darvine A. Daminski is now affiliated with L. A. Caunter & Co., Park Building.

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Report of IBA Oil and Natural Gas Securities Committee

dian crude for shipment from Vancouver to California almost disappeared and production was reduced accordingly. The outlook for the balance of 1957 is for an average daily production of around 500,000 barrels.

The perennial paradox of the petroleum industry . . . the absolute necessity of thinking and planning in terms of the future, but having current operations, particularly in the exploration divisions . . . conditioned by the presently prevailing situation, is much in evidence in Canada. While wildcat drilling is being reasonably well maintained in Western Canada, development drilling, particularly in Alberta, has been declining rather steadily for a number of months.

Some of this decline may be attributed to the fact that drilling in the prime portions of the Pembina field, Canada's largest, is approaching completion and there is no large new production area in Alberta to take up the slack. Probably of equal importance, however, is the reduction in the Alberta daily well production allowables, which has been brought about by the decline in sales on the Pacific Coast and the steadily increasing production in Saskatchewan, which crude has the advantage of being closer to the major markets in Eastern Canada and the North Central United States.

Future Canadian Needs

In sharp contrast to the present situation is the formidable task that faces the Canadian petroleum industry if it is to meet the anticipated demands of the future. Canadian crude oil requirements are currently some 750,000 barrels daily, of which a little more than half is being supplied domestically. Estimates prepared by the petroleum industry indicate an anticipated Canadian demand by 1967 of 1.2 million barrels of crude daily, of which about 70% will be supplied from domestic resources. While the making of estimates of future exports is hazardous, due to rapidly changing world conditions, 400,000 barrels daily by 1967 would appear to be a conservative minimum. This combined demand would require production of 1.25 million barrels daily.

The foregoing estimates of 1967 domestic consumption of Canadian crude are predicated on the basis of Western Canadian oil reaching the lush Montreal market, where refining capacity now exceeds 250,000 barrels daily. That market at present is served with South American, Middle East and United States crude brought by tanker to Portland, Maine, from where it is transported by pipeline to Montreal.

While most petroleum men include the supplying of Montreal with Western Canadian crude in their long term thinking, feelings are very mixed as to the economic feasibility of extending the Interprovincial Pipeline to Montreal in the immediate future. Some of the major companies contend that pipeline supplied crude would be at a competitive disadvantage in Montreal with more cheaply transported tanker crude, and that the undertaking could be treacherous, due to the considerable flexibility of tanker rates.

In contrast to this view, a number of Alberta independent producers have financed a study by a New York petroleum consulting firm to prove that Montreal "belongs" to the Alberta and Saskatchewan producers.

Assuming a desirable reserves-production ratio of 15 to 1, reserves in 1967 would have to be approximately 8 billion barrels. Production in the intervening years would be on the order of 3 billion barrels, or a little less than the indicated Western Canadian reserves at the end of 1956 of 3.1 billion barrels. The task of discovering and developing 800 million barrels of crude oil annually for the next 10 years is a formidable one, but it should not be beyond the capabilities of the in-

dustry. Subsequent to the Leduc discovery in February, 1947, some 19,000 wells have been drilled in Western Canada, with 3,360 oil, gas and dry wells having been put down in 1956. Drilling in the first half of 1957 totaled 1,430 wells. Crude oil discovered and developed in the 10-year period is estimated at approximately 3.7 billion barrels. Using these figures as a criterion, it is indicated that some 40,000 wells will have to be drilled in the next 10 years in the sedimentary areas of Western Canada, which are estimated to cover in excess of 750,000 square miles.

* * *

Natural Gas

It is anticipated that the requirements of the various gasoline distribution systems and transportation lines will grow very rapidly, and the combined demand may well reach as much as a billion feet daily by 1960. While known Western Canadian reserves are more than sufficient to support a demand of this size, many more wells will have to be drilled to permit appropriate daily production.

It is difficult to over-estimate the effect natural gas will have on the economic life of Canada. In addition to its multiple energy applications, natural gas will undoubtedly find a steadily rising use in many chemically based and affiliated industries.

It is still too early to predict, without many reservations, the effect of the election in June, 1957, of a Conservative government to the Canadian Parliament upon the Canadian petroleum industry. The Canadian Petroleum Association late in August submitted a brief to the Prime Minister and Minister of Finance asking a revision in certain of the income tax laws pertaining to the industry.

The proposed amendments, five in number, which deal essentially with more realistic depletion allowances and "write offs" of nonproductive properties, are designed to provide additional internal capital for the expanding needs of the industry and to place Canadian companies on equal footing with foreign cousins in developing Canada's petroleum resources. The proposals are expected to receive the most sympathetic study yet afforded by a Canadian Government.

A further clue as to new government policies may possibly be contained in an address given by Prime Minister Diefenbaker on Sept. 8 at Dartmouth College, Hanover, New Hampshire, in which he stated that the question is being asked whether a country can "have a meaningful independent existence in a situation where non-residents own an important part of that country's basic resources and industry, and are, therefore, in a position to make important decisions affecting the operation and development of the country's economy." The Prime Minister then emphasized that Canada welcomes investment but Canadians are asking that United States companies investing in Canada incorporate as Canadian companies and make equity stock available to Canadians.

* * *

III
Offshore Exploration and Development

A decade has now passed since the first commercial oil well was drilled and completed in the tidelands off the coast of Louisiana. In these 10 years some 50 companies have appeared on the scene and acquired a combined total of 3½ million acres of leases off the coasts of Texas and Louisiana. This represents approximately 20% of the total area lying off these coasts to a point where the water depth reaches 120 feet, or about 1/10th of the area out to a water depth of 600 feet. These same 50 companies had invested a combined total of close to $1.7 billion in this offshore region by April, 1957. A total of 1,940 wells have been drilled with only 592 dry holes resulting. With the drilling of these wells, the industry had "proven, probable and possible" reserves of about 1½ billion barrels of oil and 10 trillion cubic feet of gas. At first glance the total $1.7 billion accumulated investment did appear to have brought rich returns; however, by dividing the estimated total investment of the oil companies in the offshore today by the total number of wells drilled to-date, we find that the average cost per well is approximately $875,000. This compares with an average cost onshore of $125,000 per well or about seven times as much. The American Petroleum Institute, however, estimates that each offshore well has added to reserves approximately nine times the hydrocarbon added by each onshore well. Since there is considerable evidence that current well costs are running substantially under the $875,000 figure, the economics are further improved.

Another factor which will add materially to investment return will be the development of adequate transportation facilities to move the oil and gas to market. As of Aug. 1, there were 18 shut-in gas fields in the Gulf. Of the 50 odd other fields, only a very small number have been sufficiently developed to warrant the construction of pipelines for the transportation of the oil and gas. As more development takes place, however, pipelines will be built. Transcontinental Gas Pipe Line Corporation has recently received FPC approval to build a 28.5 mile line, and Marine Gathering Company has a 25-mile scheduled for completion in September. This will be a 12-inch line, with a capacity of 45,000 barrels per day. However, expenditures in this region to-date reflect only a modest amount of development work. A considerable amount of additional drilling will be required before the industry will be able to boost offshore gas production to a rate, relative to reserves, consistent with that onshore.

Record High Growth

To the end of April, 1957, the industry's accumulated production offshore totaled 128.7 million barrels off the coast of Louisiana and approximately 1 million barrels offshore Texas. Cumulative gas production to April, 1957, totaled 212.9 billion cubic feet, all off the coast of Louisiana. While this may not represent a great amount of production when related to daily U. S. output of some 6.5 million barrels, it is actually quite an accomplishment for an area which up to a few short years ago had never been tapped by the drill bit. The fact is that growth of offshore oil production challenges the record of any other region in the Western Hemisphere. In the past three years the average annual increase in offshore oil output exceeded 60%. In 1953, total offshore production averaged 26,800 barrels daily, increasing 64% to average 44,000 barrels in 1954. A 61% increase in 1955 boosted daily production to 70,700 barrels and 1956 followed with a 60% gain to a daily average of 113,000 barrels. In the first three months of 1957 production offshore averaged 162,000 barrels daily, a 43% gain over the full year average in 1956. The combination of lower demand and reduced allowables trimmed offshore production in April, 1957, to 153,000 barrels daily. While this represents a much lower rate of increase than the average for the past three years, it, nevertheless, represents a very impressive gain when related to other areas in the Western Hemisphere.

OFFSHORE OIL PRODUCTION
In 000 Barrels

	1953	1954	1955	1956	1957 Jan.	1957 Feb.	1957 Mar.	1957 April
Daily average	26,800	44,000	70,700	113,000	----	162,000	----	150,000
% increase over previous year	----	64%	61%	60%	----	43%	----	33%

It is of interest that two of the companies entering the offshore play at an early date—Shell Oil Company and Standard Oil Company of California—account for close to 60% of the total current production offshore. In fact, out of the 50 companies now holding interest in offshore leases, 13 account for 92% of total current offshore production.

Following the passage of the Submerged Lands and Continental Shelf Act in 1953, the industry rushed to obtain leases and the primary emphasis since that time has been to hold these leases by obtaining production on them prior to their expiration. This is evidenced by the fact that as of the first of this year a total of 108 prospects have been tested off Louisiana with 190 wildcat wells. Of this total, 97 were drilling offshore Louisiana and 11 were operating off the coast of Texas. Of Texas 30 prospects have been tested, with 53 wildcats and 8 fields discovered. Emphasis, therefore, has been on discovery rather than development. As this emphasis gradually shifts from discovery to development, which it already gives evidence of doing, it is apparent that income will increase to a point where it will more than balance outgo. The strike ratio continues high, particularly off Louisiana where the rate has been approximately 40%, compared to the national average of 11%.

* * *

Ever since the operations offshore have reached large scale proportions, the question of how all the installations and equipment would stand up under real hurricane conditions has arisen. This question was answered in June of this year, when "Audrey," with winds above 125 miles and

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pushing before it 25 to 40 foot seas, arrived. The results were most gratifying. With very few exceptions, the mobile units, platforms and tenders survived, with only superficial damage. Most of this was confined to the loss or destruction of landing platforms, stairways and walkways—all outside structures—easily replaced.

* * *

IV

Natural Gas Industry

The principal problem of the natural gas industry continues to be one of proper pricing of gas subject to F. P. C. jurisdiction, i. e., gas sold by producers and by pipelines. Gas distributors have, generally speaking, been able to obtain needed rate increases. However, over the longer term, the outlook for gas distributors is closely related to that of the producer and pipeline companies. Unless adequate profit incentives are restored to producers and pipelines, the necessary additional supplies of natural gas needed to satisfy growing demands will neither be developed nor transported to markets and the ability of distributors to meet their own load growth will be curtailed. In such circumstances, it may become very difficult for managements of investor-owned distribution companies to oppose successfully pressure for expansion of public gas systems.

It seems unnecessary to review again in detail the origin of the natural gas industry's pricing problem. The 1956 report of this Committee discussed the historical reliance of the F. P. C. on the rate-base method of regulation used originally by the Commission in regulation of interstate electric utilities and applied by the F. P. C. after passage of the Natural Gas Act in 1938 to rate regulation of natural gas transportation companies through 1954. Then, in the Panhandle decision the Commission changed its approach to allow "fair field" pricing of pipeline-owned gas to prevent the rate discrimination resulting from valuation of those companies' reserves at cost under rate-base regulation. The circuit court reversed the decision and sent the case back to the Commission for further findings with respect to comparative cost of service considered necessary to support this new method of pricing. The U. S. Supreme Court refused o review the case and the F. P. C. is following the circuit court's opinion.

Meanwhile, the 1954 decision of the U. S. Supreme Court in the Phillips Case gave to the F. P. C. regulatory jurisdiction over substantially all natural gas producers through an interpretation of the Natural Gas Act broadening the definition of "natural gas companies" selling gas in interstate commerce. In 1956 and in 1957 legislation introduced in Congress to amend the Act and offset the Phillips decision by allowing producers a "fair field" price failed to be enacted into law for a number of reasons, varying in the two years. Such legislation, known now as the Harris-O'Hara Bill, will still be pending in Congress in 1958 and is reported to have at least an even chance for success. It is noteworthy that the F. P. C., in line with its position in the Panhandle case, has consistently favored such legislation. Finally, note should be taken also of the Saturn Case, in which a group of producers are in effect attempting to free producers from F. P. C. jurisdiction by asking the Supreme Court to reconsider its decision in the Phillips case. It is our hope that fullest support will be forthcoming for the Harris-O'Hara Bill, in view of its vital importance to the investor-owned natural gas industry. In the absence of, and pending passage of such legislation, F. P. C. action on numerous producer cases has been held up, creating uncertainties, indecision and a retarding effect on progress of the whole industry.

States Allow Higher Rates

Likewise, rate increase applications of pipelines are still not being acted upon with sufficient promptness. This "regulatory lag," in the face of steadily increasing costs, has resulted in a serious earnings uncertainty for transmission companies. Gas distribution companies, however, have enjoyed a more satisfactory regulatory trend under state utility commissions. In several states significantly higher rates of return have been allowed in recent cases, indicating greater recognition by these regulatory bodies of the necessity for higher earnings under conditions of rising costs of gas, materials, labor, and money.

* * *

Because of its cheapness and convenience, strong demand for natural gas has developed in the postwar period, stimulating construction of transmission pipelines to virtually every part of the United States. This period of extraordinary pipeline expansion was brought to a close with completion of lines to the Pacific Northwest in 1956 and 1957, bringing natural gas from the San Juan Basin of the Southwest and from the Peace River area of northern British Columbia and Alberta to that growing section for the first time. Major pipeline expansion projects pending include several designed to transport additional quantities of gas from prolific Canadian sources, principally in the Province of Alberta, to the newer markets of the northwest and California, as well as to the north central states. Application has also been made for a certificate to link major Rocky Mountain pipeline systems with those of the middle west, creating, in effect, a cross-country grid multiplying the interconnections of gas reserves and markets.

Marketed production of natural gas has increased strongly from a little over four billion cubic feet in 1945 to over ten billion in 1956. Much of this increase in gas sales is attributable to conversion of homes from coal heat to gas and to a lesser extent through conversions from oil heat. In 1940 an average of 3.8 million homes were heated with gas, but by 1956 this number had risen to 16.1 million, an increase of over 320%. This percentage of residential customers using gas for househeating has increased from 35.5% in 1949 to 57.9% in 1956. By 1959 this proportion is expected to have increased to 65.0%.

Chase Manhattan Bank's Study

While marketed production of natural gas, as shown above, increased at an annual average rate of 9.5% in the postwar period, results for the year ended June 30, 1957, showed an increase of 8%, compared to the preceding 12 months. In its study "Future Growth of the Natural Gas Industry," Chase Manhattan Bank states that the spectacular postwar growth in sales was substantially due to displacement of coal and, to a lesser extent, oil. On the other hand, conversions from oil have been important and will continue so. With the completion of most of this conversion trend, gains in gas and oil usage of 58% and 64% respectively are anticipated for the period 1956-66. Natural gas househeating continues to get a very large share of the new residential market. In view of the rapid postwar growth which has already been accomplished, marketed production of natural gas is expected to increase at a lower percentage average rate of 4.7% per annum in the next decade. Whether this projected rate of sales increase or some greater or lesser rate will eventuate will, of course, depend to a great extent upon restoring to gas producers, as well as pipeline transporters, the necessary profit incentives justifying expansion. If a reasonable price structure can be developed, then further large scale expansion of gas markets may be expected. The A.G.A. estimates a 51% increase in sales and a 68% gain in revenues from the end of 1957 through 1965.

As additional quantities are sold for heating in the winter, the use of underground summer storage facilities should continue to expand. In the period 1947-1956, the number of underground storage pools increased from 70 to 188 and their estimated ultimate capacity from 250 billion cubic feet to 3,402 billion cubic feet.

Strenuous efforts continue to develop suitable gas air-conditioning appliances. In 1956 the A.G.A. and some 10 manufacturers spent $1.5 million on the development of economical and reliable gas air-conditioning equipment. Arkansas Louisiana Gas Company recently purchased Servel's air-conditioning division for $4 million. Additional industry financed research has proceeded on 20 projects.

Doubling Reserves

Gas reserves of approximately 238 trillion cubic feet at the end of 1956 were sufficient for 22 years at the 1956 production rate. The F.P.C. and underwriters generally require a 20 years' supply for new projects. Additions to reserves in 1956 were 14.1 trillion cubic feet greater than withdrawals of 10.9 trillion feet. However, to meet even the estimated demand at the lower average annual increase rate of 4.7% a year over the next 10 years would require an approximate doubling of present reserves. On the average, exploratory drilling is now at depths twice those of 1947, with consequent increased cost. Whether the required new reserves can be developed to support projected industry expansion will, in the opinion of many experts, depend upon the satisfactory solution of the present F.P.C. regulatory impasse. Fortunately, at the lower depths presently reached in drilling, the ratio of gas to oil discovered has been greater, increasing in recent years by about 50%. In comparison to the oil industry, the reserve position of the natural gas industry is more favorable since, on a BTU basis, gas reserves exceed oil by 40%, although consumption of gas is 45% less than consumption of oil.

It is hoped that the clear economic facts in this situation will influence passage of a new Federal regulatory measure in 1958, allowing pricing flexibility to producers. As compared to present proved reserves of 238 trillion cubic feet, ultimate recoverable reserves have been estimated at 650 trillion cubic feet. Again, the supplying of incentive to producers through pricing flexibility is necessary to promote actual development and production of the full potential reserve.

Need Higher Rates

In the year ended June 30, 1957, revenues of pipeline companies, as reported by the FPC, increased almost 11%, but net income decreased 2%, compared to the previous 12 months. Net plant increased 18% as expansion continued at a rapid rate, but with operating income up only 4%, rate of return declined. Cost of purchased gas was up 14.5%. Warmer weather in the 1956-57 heating season also hurt sales and earnings in that period. To restore earnings to more satisfactory levels, pipeline companies have requested FPC approval of higher rate schedules designed to increase returns to rates of 6½% to 6¾%. With pipeline companies required to pay interest rates now up to 6¼% for new first mortgage bond money, and in view of the continued increase in costs of gas, materials, and labor, it is apparent that higher rates are necessary to protect the financial integrity of these com-

panies and to attract capital for further growth.

Below are shown gas utility and pipeline industry construction expenditures in the postwar years and as estimated by the AGA through 1960:

Year	Expenditure (In Millions)
1946	$310
1947	758
1948	770
1949	959
1950	1,198
1951	1,462
1952	1,067
1953	1,350
1954	1,055
1955	1,345
1956	1,552
1957 (Forecast)	2,128
1958 (Forecast)	1,977
1959 (Forecast)	2,265
1960 (Forecast)	2,335

The sharp step-up in construction during the years 1956-60 is especially noteworthy. The aggregate in those years of $10 billion is expected to increase net plant 70% and to be applied 45% to production and storage, 16% for transmission, 34% for distribution and 5% for miscellaneous items.

To finance this program in 1957, the gas utility industry is expected to raise a total of $1,300 million, or 44% more than in 1956, according to the Irving Trust Company. In the first eight months of 1957 financing amounted to $1,075 million, comprised of $943 million of bonds, $102 million of preferred stocks, and $30 million in common stocks.

V

The Refinery Situation

The year 1957 has been another difficult one for crude oil refiners. Prospects for 1958 do not appear to offer the likelihood of a basic improvement in the refiner's position, unless the nation's industrial activity is able to average higher than 1957. According to prevailing forecasts, industrial activity is more likely to trend slightly lower next year. Earnings for this segment of the petroleum industry are now disappointingly small and show little promise of a fundamental improvement.

Certain preliminary signs of encouragement are to be found. Inventories of refined products in recent months compare more favorably with "year ago" figures. However, this cannot be favorably interpreted as yet, because 1956 itself was a year of accumulating inventories and therefore a year of deteriorating strength.

Inventories for the first five months of 1957 increased at a more rapid rate than for the corresponding period of 1956. Since the Suez Crisis required the export of relatively small quantities of refined products and large amounts of crude oil, the refiner did not benefit from the temporary bulge in European demand for domestic petroleum. However, commencing in the early summer months, oil refineries began reducing runs to stills in a belated attempt to avoid burdensome inventories and accompanying weak refined product prices.

The best that can be seen is a relative inventory improvement concentrated in the position of gasoline and distillate compared with the same period of a year ago. However, the price which refined petroleum products command in the market place is determined by the interplay of supply and demand, and not by comparison with statistics of previous time periods.

Narrower Cost-Price Spread

The gross spread between the cost of crude and wholesale value of refined products has tended to narrow through most of 1957 under the weight of excessive inventories. Thus, refiners have been forced to absorb most of the increase in the crude oil price which became effective in January, 1957. The result is evident . . . the gross refinery spread is smaller today than in 1956. . . . Therefore, current net earnings are even lower than these gross figures indicate.

The demand side of the equation has been disappointing throughout 1957. Domestic demand for the first eight months of 1957 increased only 1% over 1956. The gain was 4.4%, including abnormally large exports in the first quarter, but the latter represents mostly crude oil. One important factor to which perhaps too little attention has been paid in recent years, is the importance of the level of business activity. Since early 1954, the FRB index of industrial activity increased from 123 to a high of 147 last December, interrupted only by the steel strike during the Summer of 1956. The 1957 trend has been downward at a very moderate rate to a current level of about 143.

While the decline is quite small, it represents no increase. This is especially important to the petroleum industry, because the refiner as well as his partner in other segments of this industry are geared to a market growing at a 4-5% annual rate. Absence of this anticipated rate of gain almost always creates excessive supply and a weak price structure. This year is no exception.

Other factors adversely affecting 1957 demand include a winter some 5% warmer than normal, fewer new burner installations resulting from credit restrictions on residential construction, unfavorable weather last Spring, and a surprisingly small gain in Summer gasoline consumption. The last factor is disconcerting because its cause is unknown. Possibly the growth trend for gasoline has moderated in response to crowded highways, home air-conditioning, which makes the home more pleasant in Summer, and the high fuel cost per mile of today's powerful automobile. Perhaps the spectacular acceptance of small foreign cars in the United States reflects the consumer's demand once again for economical transportation. If this is a new trend, the implication should be disquieting for both the petroleum and automobile industries.

Ostensibly, the average refiner, being an intelligent man, should be able to adjust his manufacturing activity to turn out just enough products to satisfy the market. However, the refinery is a continuously operating mechanism, operating every hour of the week in order to spread its heavy overhead costs over the maximum volume.

* * *

In past years the annual increase in petroleum demand has been heavily counted upon to tighten the supply-demand relationship, strengthen product prices, and revive refinery earnings. The 1958 outlook does not appear to present such encouragement. Business activity is not expected to rise above the 1957 level. Consumers are likely to become more cautious in a period of business uncertainty. The most favorable prospect in evidence is the possibility of a nomally cold winter. This would underwrite at least an increase in heating oil demand.

At best, 1958 consumption may parallel 1957. At worst, consumption may decline several percentage points. In any event, we cannot look forward next year to the "annual increment" to bail the refiner out of his present position. It is up to the refiner to improve his position by further curtailing runs to stills. The basic character of refinery economics makes it unlikely that runs to stills will be sufficiently curtailed. Therefore, refining is expected to remain relatively unprofitable for another year.

VI

Petroleum Accounting

The interest shown last year in the section of the Report covering the mechanics of "Oil Payments" has prompted your Committee to again cover a subject related to the Oil & Gas Industry, which would be factual and informative, and one not too widely understood.

Petroleum Accounting has been a mystery to most analysts in our industry and the evaluation of oil company balance sheets, as well as comparisons between companies, have, of necessity, been less accurate or revealing.

The Journal of Accountancy's article, December, 1956, issue, titled "Petroleum Accounting," written by Dr. Horace R. Brock, Associate Professor of Accounting, North Texas State College, Denton, Texas is a condensation of a report based on considerable research in the field of Petroleum Accounting, and is the basis of a book on the subject, shortly to be published, of which Dr. Brock is co-author.

Any analyst in our industry in the process of making a study of any oil company would be well guided in using the contents of this article as a basis for his inquiries and research. Financial Statements of larger companies carry explanatory footnotes, more accurately interpreted in the light of techniques discussed in this study. In the case of smaller companies, an analyst would, in many cases, have personal interviews with management and, armed with the knowledge gained from this study, could ask pertinent and revealing questions.

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Investment Assn. of NY Holds Annual Dinner

The annual dinner of the Investment Association of New York, held Dec. 11 at the Waldorf-Astoria, was most successful with more than 400 in attendance. Maitland T. Ijams, W. C. Langley & Co., President of the Association, was master of ceremonies. A. Parker Hall, Jr., Shearson Hammill & Co., was chairman of the entertainment committee.

Eugene R. Black, the guest of honor, gave a most interesting address "off the record."

Forms Gross & Co.

UNION, N. J.—Ben Gross is engaging in a securities business from offices at 1460 Morris Avenue under the firm name of Gross & Company. Mr. Gross was previously with Berry & Co.

C. S. Kakouris Opens

MIAMI, Fla. — Carlos S. Kakouris is engaging in a securities business from offices in the Ainsley Building. He was formerly a partner in Makris & Kakouris.

Railroad Securities

Northern Pacific Railway Co.

Northern Pacific Railway has been able to maintain earnings this year despite higher costs and wages and some drop in general traffic. The road has been able to keep operating expenses under control but received increased "other income" from its oil and lumber operations.

For the first 10 months of this year, Northern Pacific reported net income of $17,724,838, equivalent to $3.57 a share on 4,970,986 shares outstanding as compared with a total of $17,390,546 or $3.50 a share on 4,959,652 shares outstanding at the end of the like 1956 period. Net operating income for the period aggregated $15,013,356 as compared with $15,536,532 a year ago. Other income for the 10 months amounted to $13,325,508 against $11,654,144 in the 1956 period.

It is estimated that for the full year 1957, net income likely will equal or exceed the $4.23 a share reported in the year of 1956, despite a drop in traffic in the final months of this year. In reality Northern Pacific consists of two companies. One a land company with revenues from mineral rights, mainly oil, and the other from lumber.

The railroad's land interest in the Williston Basin (fee and rights) covers some 3,200,000 acres of high dry land, that, prior to 1950, seemed to have little commercial value. In April, 1951, oil was discovered about 60 miles from the nearest Northern Pacific properties. In July of that year, an oil well came in on property held under mineral rights. Since that time developments have been rapid and in 1956 the road's portion of Williston Basin's production was 1,040,000 barrels as compared with 384,000 barrels from old fields outside this basin. This year's production is expected to be substantially greater as might be noted from the larger source of income from this source. Income from oil and gas sources has shown a constant increase year by year since 1951 and this trend is expected to continue.

It is anticipated that other income will continue to be augmented by sale of timber rights and rental of lands. It only has been in recent years that Northern Pacific has concentrated on the development of its timber holdings, which are vast, and a program instituted to work these properties in a modern manner, looking for conservation and reforestation. This should provide a source of income for some time to come.

It is interesting to note that in 1956 fixed charges of all types amounted to slightly more than $10 million and were covered 1.3 times by pretax nonoperating income items alone. For the first 10 months of this year total income showed a record of times charges earned before income taxes of 3.26 as compared with 3.63 in the like 1956 period, while times charges earned after income taxes were 2.98 against 3.03.

The Chicago, Burlington & Quincy also has been a big producer of "other income" for the Northern Pacific. This road is jointly controlled by the NP and the Great Northern Railway. The minority stock, which is less than 1% of the outstanding issues, is quoted around 148 which gives an indicated market value for NP's holdings of some $124 million or about $15 million in excess of book value. Dividends from the Burlington in recent years has meant $6,226,342 while the equity in undistributed profits of the C. B. & Q. has ranged from $4,300,000 to $7,500,000 a year since 1951. This has been equal to from 90 cents a share to $1.50 a share on Northern Pacific's stock.

As a railroad the Northern Pacific primarily is an agricultural road depending on crops and lumber shipments in the territory served. Better irrigation of the territory has tended to increase the yield per acre and also to help diversify crops.

To increase operating efficiency, NP gradually is increasing its dieselization and gradually is replacing the last of its steam power used on a water level section. By the end of 1959, the road expects to be completely dieselized. In addition, modernization of yards also is underway and these factors should bring about a reduction of transportation expenses.

The noncallable prior lien 4s of 1997 are secured by a first lien on practically all railroad properties and on all lands owned in fee. The latter includes almost all of the oil and timber lands. The noncallable 3s are a second lien on properties securing the prior lien 4s. Because of the noncallable feature of these issues, it is believed it would be difficult, if not impossible, to separate the "other income" producing properties from railroad operations.

Chicago Exch. Firms Elect New Officers

CHICAGO, Ill.—At the annual meeting of the members of the Chicago Association of Stock Exchange Firms, Guenther M. Philipp, resident partner and controller of Paine, Webber, Jackson & Curtis, was elected Chairman of the Association for the coming year. Mr. Philipp succeeds John G. White of Reynolds & Co., who has served during the past two years.

Mr. Philipp is also Chairman of the Midwest Stock Exchange Clearing Corporation and Chairman of the Practice and Procedure Committee of the National Association of Securities Dealers, District 7.

Gordon Bent of Bacon, Whipple & Co., was elected Vice-Chairman, and Francis C. Farwell of Farwell, Chapman & Co., Treasurer.

Elected as new members of the Board of Governors were Willard M. Freehling of Freehling, Meyerhoff & Co.; John J. Markham of Hornblower & Weeks; Richard W. Simmons of Blunt Ellis & Simmons; B. Henry Sincere of Sincere & Company and Robert M. Sproat of Lamson Bros. & Co.

Paine, Webber to Admit New Partners

Paine, Webber, Jackson & Curtis, 25 Broad St., New York City, members of the New York Stock Exchange on Jan. 1 will admit John Richardson, Jr. and Robert D. Thorson to partnership.

Charles F. Adams, Jr. will retire from limited partnership Dec. 31.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

A. J. Cortese & Co. will dissolve Dec. 20.

S. Paul Kramer will retire from partnership in Auerbach, Pollak & Richardson Dec. 31.

Landon Palmer Cabell will withdraw from partnership in Branch, Cabell & Co. Dec. 31.

Daniel Cowin and Irving G. Kaufman will retire from partnership in Gartman, Rose & Co. Dec. 31.

Arthur J. Schwartz will withdraw from partnership in Ungerleider & Co., Dec. 31.

Purcell to Admit

Purcell & Co., 50 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Franc C. Graham, Jr. to partnership.

R. E. Palmer Director

Robert E. Palmer, partner in the New York firm of Reynolds & Co., Inc., has been elected to the board of directors of Williams Brothers Company, Tulsa, pipeline constructors.

Continued from first page

The Investment Bankers Association of America Holds 46th Annual Convention

been engaged in the securities business in Dallas for the past 27 years.

He was born in Celeste, Texas, and upon completion of his formal education entered the employ of the First National Bank, Plano, Texas, in 1928. Two years later he became cashier and assistant secretary-treasurer of the Ulen Securities Company, Dallas. In 1932, with Joe M. Callihan, he organized Callihan and Jackson, a partnership engaging in the investment banking business, which was subsequently incorporated and then liquidated (1942) when Decker Jackson became a Lieutenant (j.g.), USNR, and another principal left the business to serve with the U. S. Army. Mr. Jackson was returned to inactive duty in 1945 with a permanent rank of Lieutenant Commander and was awarded Letters of Commendation by the Secretary of the Navy.

Early in 1946 the First Southwest Company was organized, with Mr. Jackson serving as a director and president of the company since inception.

He has served the IBA in many capacities at the national level:

Group Chairmen's Committee, 1939-1940.

Federal Legislation Committee, 1940-1941.

Municipal Securities Committee, 1946-1953.

Special Committee on Revenue Bonds, 1948-1952.

Municipal Division Council, 1950-1953.

Administrative Review Committee, 1953-1954; 1956-1957.

Governor, 1953-1955.

Nominating Committee, 1954-1955.

Nuclear Industry Committee, 1956-1957.

Oil and Natural Gas Committee, Chairman, 1954-1957; Vice-President, 1955-1957.

Mr. Jackson has also been active at the regional level in serving the Texas Group of the IBA:

Secretary and Treasurer, 1938.

Executive Committee, 1939; Chairman, 1940.

Municipal Securities Committee, 1947-1950; Chairman, 1947.

He is a director and president of Jackson and Company, Antelope Oil Corporation, and Provident Oil Company; and a director of Electrical Log Services, Inc., Ripley Shirt Company, and Goodwill Industries, Inc. of Dallas.

He has been a trustee of the Municipal Advisory Council of Texas since it was organized several years ago, serving as Chairman of the Board of Trustees in 1956-1957.

Club and society memberships include: Dallas Country Club, Dallas Athletic Club, Dallas Club, Northwood Country Club, City Club and Bond Club of Dallas.

Mr. Jackson is married to the former Sally C. Harrington. They reside in Dallas, Texas.

The New President's Inaugural Address

The text of Mr. Jackson's inaugural address follows:

The pride I feel in being elected to the office of President of our Association is tempered by the sense of responsibility that goes with the office.

W. C. Jackson, Jr.

Bob Craft's report on the activities of the Association during the past year demonstrates his able leadership. We are indeed indebted to him for his work in behalf of the Association.

During the past two years the members of our industry have been strained to the limits of physical capacity—in order to finance the greatest construction boom in all history. I believe we may be proud of our record in helping to meet the extraordinary capital requirements of our country's rapidly expanding industries.

Monetary policies adopted to check inflationary trends have increased our underwriting risks, but, at the same time, they have tended to encourage savings and to make security ownership more attractive. Our Association consistently approved and supported these anti-inflationary policies—so long as they were required.

Recession Fears

Quite suddenly now the emphasis has been shifted from restraint of inflation to avoidance of a business recession. Plant and equipment programs for 1958 are expected to be trimmed below the

level of 1957, because some industries are temporarily overbuilt. Consumer expenditures also may be curtailed by declining personal incomes as the rate of industrial activity falls. But there is no prospect of any net reduction of Government expenditures, such as the retrenchment following the Korean War, which intensified the recession of 1953. On the contrary, it appears that our defense expenditures will increase because of the emphasis on the missile-satellite program, and the need to keep abreast of advancements in military technology. At the same time, the new Federal highway program will be getting under way.

Estimates by the Census Bureau indicate an acceleration in the rate of our population growth which will average more than 2½ million persons annually for the next 20 years — producing undreamed of concentration of sub-urban and urban populations. This prospect promises a continued high rate of housing construction and investment in municipal facilities such as water, sanitation, schools, hospitals, and roads.

Private industry will carry on with plant construction already in progress. New products are being developed and—in the utility field especially — the need for new equipment continues in a strong growth trend.

Period of Consolidation

For the coming year I see a period of consolidation — a time when all management, including our own, strives for day-to-day efficiency which has long been neglected because of the pressure of more business than we had been prepared to handle. In a broader sense, scientific, political, and social changes are developing so rapidly that this is a time for reappraisal of our objectives and policies. There is good reason for confidence, but we cannot afford to be smugly complacent about the position of our investment banking industry. The job of financing the future will tax our capital resources and our ingenuity. Our national imagination already has soared into outer space, but there remains the mundane problem of how to pay for the trip.

While we often wonder where the money will come from, I believe there will be no lack of savings—corporate and personal—to capitalize the continued expansion of our productive capacity, if the essential incentives to save are provided. These incentives include sound monetary and fiscal policies, restraint in Government competition for investable funds, and equitable division of revenues between the labor-management functions and the savings or capital function. We are peculiarly qualified by the nature of our business to take the lead in our communities in speaking out for policies which will encourage the formation of savings.

Let us begin our contribution to national well-being by holding ourselves to high standards of conduct in our business relationships with borrowers, lenders, and equity investors. In relation to the underwriting risks we assume, at times we may feel that we are not adequately compensated for our services to the economy; but that —in part—is a result of the growing capital strength of our industry and the competition it stimulates.

Future Plans

Our plans for the future of the investment banking industry should include continued emphasis on the training of younger men in our business and providing incentive for them. As evidence of my own feeling regarding this important field of endeavor of our Association, I have carefully chosen several talented young men to serve on important committees of the Association.

During the coming year I shall depend on each of you to help me in furthering the purposes of this Association. I am confident that —with the assistance of the five able Vice-Presidents, the Board of Governors, the various committees of our Association, and our very fine and competent staff in Washington—we can meet the challenge of our national responsibility.

Speakers at the Convention

The principal speakers at the Convention were newly elected President William C. Jackson, who is also President, First Southwest Company, Dallas, Tex.; retiring President Robert H. Craft, President of the Chase International Investment Corporation; Honorable Donald M. Fleming, Canadian Minister of Finance; Richard S. Reynolds, Jr., President, Reynolds Metals Co.; John H. Stambaugh, Special Consultant to President Eisenhower and Vice-Chancellor of Vanderbilt University; Edward N. Gadsby, Chairman of the Securities and Exchange Commission; and George S. Trimble, Jr., Vice-President, Engineering, The Martin Company.

[These addresses in full text and Committee Reports are given in this issue starting on page 22 with exception of President Jackson's address which may be found on the adjoining page.]

Education Committee Reports On Year's Activities

The Annual Report of the Education Committee, headed by W. Carroll Mead, of Mead, Miller & Co., Baltimore, reviewed the great variety of educational and public relations activities conducted by members and Groups and also the projects and services of the Education Committee. The following highlights some of the major activities and, in addition, presents brief comments on various projects.

W. Carroll Mead

Institute of Investment Banking

In 1957 the Institute of Investment Banking sponsored by the Education Committee in cooperation with the Wharton School, University of Pennsylvania, again operated at capacity-plus with 265 registrants. In addition, there were more than 40 applicants who could not be accommodated for lack of facilities. The program was again highly successful and comments by registrants were uniformly favorable and in most instances enthusiastic.

More than 80 persons drawn from our own industry from other financial groups, business generally, government, and the universities, participated in the program as speakers, panelists, discussion leaders, or moderators. It is gratifying to note that many IBA leaders — including present and past presidents, vice-presidents, national committee chairmen, and Group officers — are manifesting their interest in the Institute through participation in the program.

Since inauguration, this executive development program has been conducted without cost to the Association. A reserve representing the excess of receipts over expenses has been established and, in recent years, the net proceeds to the Association have been added to income. In 1957, slightly more than $5,000 was realized.

The 1958 Institute will be held during the week March 30-April 4. It is expected to have the detailed announcement folder ready for distribution to members early in February.

Invest-in-America Week

The Invest-in-America movement is continuing to make steady progress. During 1957 "The Week" was observed in 73 communities. This compares with 22 cities in 1955 and 49 in 1956. In 1958 the week will be observed April 27-May 3.

Early this year President Craft appointed an IBA Invest-in-America Committee to serve as liaison in working with Invest-in-America headquarters. J. Earle Jardine, Jr. is chairman of this sub-committee of the IBA Education Committee. The IBA and the Education Committee have supported Invest-in-America since inception, and we are continuing to give our wholehearted cooperation.

Home Study Program

The correspondence course in investment banking offered by the Education Committee in cooperation with the Home-Study Department, the University of Chicago, had a record enrollment of 273 registrants during the past year. Since the course was made available seven years ago, more than three hundred member organizations have enrolled personnel for the program. As of July 1, the fee was increased from $45 to $60 as part of a general upward revision of Home-Study Department fees. Attention is again called to the fact that satisfactory completion of the IBA correspondence course is accepted by the New York Stock Exchange in partial satisfaction of the registered representative requirements.

Opportunity, U. S. A.

The official IBA motion picture, Opportunity, U. S. A., continues to serve the industry effectively. Through our distributing agency, 175 prints are available for audience screening, and 15 prints for use by TV stations. The film continues to maintain its circulation momentum.

Despite the age of Opportunity, U. S. A. (five years) 27 ABC-TV affiliates used Opportunity, U. S. A., on "Enterprise," a summer replacement show.

Activities of Member Organizations and Groups

Educational and public relations programs of members and Groups including recruitment, training, public information, and promotional activities are steadily being expanded in diversity and scope. There have been many noteworthy projects including, among others:

Use of Educational TV—Following the lead of the Central States Group with its "Ticker" program

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inaugurated in 1956, other Groups are taking advantage of educational TV channels in the following cities: Denver, St. Louis, Pittsburgh, and Minneapolis-St. Paul. In Philadelphia, as part of the Invest-in-America program a 14-week sustaining series was telecast over a commercial TV station and also over the radio.

Forum on the Money Market — Acting upon the suggestion made by President Craft, the New England Group sponsored a seminar on the money market with particular emphasis on the work of the Treasury and the Federal Reserve.

Your Money at Work Forum— Practically every IBA member in Philadelphia engaged in securities retailing supported a week-long forum and exhibit at the Wanamaker store.

Publicity — Both member companies and the Groups are increasingly recognizing the value of publicity and are supplying articles and news stories about their activities to the press. Professional public relations agencies are being employed by some members and Groups.

IBA in the News

During the last decade and particularly since the consolidation of IBA offices in Washington, the name of the association has been appearing in the press with increasing frequency. This is a reflection of various factors including, among others, the following:

A growing awareness of the value of favorable publicity at the Group and member level; the steadily expanding scope of IBA activities and projects, nationally, regionally, and by individual members; press conferences scheduled for the IBA President in connection with his visits to the Groups; the better integration of all phases of Association operation with staff under one roof; more frequent oral and written statements before Congressional committees and other public statements by IBA leaders on questions of general interest on which the investment banker is peculiarly well informed; expansion of the Invest-in-America movement; service of the IBA Governmental Securities Committee as an advisory group to the Treasury in connection with impending Federal financing; and a widening public interest in securities, securities markets, and investing. More comprehensive Group conferences, the IBA municipal research program and Invest-In-America have all been excellent news sources. The annual Convention has traditionally enjoyed an excellent press with some 20 to 30 financial editors and writers in attendance.

Fundamentals of Investment Banking

The official IBA textbook, Fundamentals of Investment Banking, continues in use as a standard college text as well as one of the basic volumes for both the home-study and classroom courses offered by IBA. It is a source of income to the Association through semi-annual royalty payments. A Portuguese edition of the book was published this year under the sponsorship of four financial houses, in Brazil.

Manual on Securities Salesmanship

The Manual on Securities Salesmanship is now in its seventh printing. Many members place frequent quantity orders for the booklet. It, too, is a source of income to the Association.

How to Achieve Success in Investment Banking

Reprints of the address, How to Achieve Success in Investment Banking, by George W. Davis, have been made available to members and have been distributed to the junior investment associations. Many members have used large quantities of the reprint.

Memorandum on IBA Organization and Activity

A brief memorandum, Investment Bankers Association of America — Nature; Purpose; Organization; and Major Activities, has been prepared. Copies may be obtained from the IBA Washington Office.

Convention Addresses and Committee Reports

At the 1955 Annual Convention as a part of the Accent-on-Youth program, a new service was made available to members. Through the use of request cards, delegates at the convention may have convention addresses and committee reports mailed direct from Hollywood to selected personnel in their respective organizations.

Forum on American Securities Business Wins Award

The conference on The American Securities Business sponsored by the Industrial Council of Rensselaer Polytechnic Institute received the Freedoms Foundation George Washington Honor Medal award in February of this year. Participation in this forum was one of the major activities of the IBA Education Committee in 1956.

Junior Investment Associations

Early in 1957 the young men in the securities business in Philadelphia organized the Investment Association of Philadelphia. There are now junior investment associations in the following cities: San Francisco, Chicago, Toronto, New York, and Montreal, in addition to Philadelphia. These associations facilitate the assimilation of young men into the business, enhance their understanding of the investment community, and broaden their acquaintanceships. They provide educational programs and social activities for their members and contribute materially to the public relations efforts of the securities business.

Joint Committee on Education

Our Association — along with ASE, ASEF, NAIC, NASD, and NYSE (IANY is an associate member) — is continuing its support of the Joint Committee on Education representing the American securities business. The Joint Committee is conducting two major projects; the annual Forum on Finance, and Research Into Material Collected in Connection with the Investment Banker Anti-trust Suit.

Forum on Finance—The seventh annual Forum on Finance offered by the Joint Committee was conducted June 17 through July 3 with 30 registrants in attendance, mostly full professors, department heads, and administrators.

Research Project — At White Sulphur in 1956 the Board of Governors appropriated $5,500 representing the IBA contribution toward a total budget of $34,500 in support of the Joint Committee research project. The study is being conducted by Professor Merwin H. Waterman, Bureau of Business Research, University of Michigan. He has completed the preliminary manuscript which is now being reviewed by members of the Joint Committee (of which Amyas Ames is Chairman) and by others. The study is called Investment Banking Functions, and it is expected that the completed study will be available for distribution early in 1958. As it developed, the study became broader in scope than originally contemplated and incorporates topics in addition to the anti-trust synthesis, including a more extensive review of the historical development of investment banking from the earliest days and an appraisal of the outlook for the industry.

American Capitalism—An Introduction for Young Citizens

The Council for the Advancement of Secondary Education (sponsored jointly by the Association of Secondary School Principals and the National Better Business Bureau) is seeking to encourage and improve education about the American economy in the high schools. The first of two teaching aids planned by the Council, American Capitalism — An Introduction for Young Citizens, has been tested in approximately 100 high schools in 42 states, in classes totaling 5,500 pupils. In the light of this classroom experience and critical reviews by teachers and businessmen, the manuscript has been revised and is currently being reviewed. The booklet should be ready for classroom use early in 1958. Our Association along with other organized business groups and many corporations is supporting the project and giving financial aid.

NEW GOVERNORS

The incoming Governors elected by their respective Groups and who took office at the 1957 Convention are:

California Div.

Curtis H. Bingham, Bingham, Walter & Hurry, Inc., Los Angeles.

Charles B. Harkins, Blyth & Co., Inc., San Francisco.

Central States

William J. Lawlor, Jr., Hornblower & Weeks, Chicago.

Frank L. Reissner, Indianapolis Bond and Share Corp., Indianapolis.

Eastern Pennsylvania

William F. Machold, Drexel & Co., Philadelphia.

Michigan

Alonzo C. Allen, Blyth & Co., Inc., Detroit.

Minnesota

C. Edward Howard, Piper, Jaffray & Hopwood, Minneapolis.

New England

Albert Pratt, Paine, Webber, Jackson & Curtis, Boston.

New York

Joseph Ludin, Dillon, Read & Co., Inc., New York.

William S. Renchard, Chemical Corn Exchange Bank, New York.

Walter H. Steel, Drexel & Co., New York.

Northern Ohio

Dana F. Baxter, Hayden, Miller & Co., Cleveland.

Ohio Valley

Dennis E. Murphy, The Ohio Company, Columbus.

Southeastern

Roderick D. Moore, Branch, Cabell & Company, Richmond.

Southern

Arthur C. McCall, Alester G. Furman Co., Inc., Greenville.

Southwestern

Mark A. Lucas, Jr., Lucas, Eisen & Waeckerle, Inc., Kansas City.

A list of the 1956-57 IBA Board of Governors will be found on page vi of the 1957 IBA Blue Book, and the terms of the Governors will be found on page viii.

IBA National Committee Chairmen for 1957-58

The National Committees and their respective chairmen for 1957-58 are:

Arrangements: Alfred Rauch, Kidder, Peabody & Co., Philadelphia.

Aviation Securities: Donald N. McDonnell, Blyth & Co., Inc., New York.

Canadian: Arnold B. Massey, Mills, Spence & Co., Limited, Toronto.

Conference: George W. Davis, Davis, Skaggs & Co., San Francisco.

Education: Robert O. Shepard, Prescott, Shepard & Co., Inc., Cleveland.

Federal Securities Acts: Arthur L. Wadsworth, Dillon, Read & Co., Inc., New York.

Federal Taxation: Walter Maynard, Shearson, Hammill & Co., New York.

Finance: Thomas W. Evans, Continental Illinois National Bank and Trust Company, Chicago.

Foreign Investment: Joseph T. Johnson, The Milwaukee Company, Milwaukee.

Governmental Securities: Robert B. Blyth, The National City Bank of Cleveland, Cleveland.

Group Chairmen's: David J. Harris, Bache & Co., Chicago.

Industrial Securities: William S. Hughes, Wagenseller & Durst, Inc., Los Angeles.

Investment Companies: Charles F. Eaton, Jr., Eaton & Howard, Incorporated, Boston.

Membership: Bert H. Horning, Dempsey-Tegeler & Co., St. Louis.

Municipal Securities: John M. Maxwell, The Northern Trust Company, Chicago.

Nominating: Robert H. Craft, The Chase Manhattan Bank, New York.

Nuclear Industry: Paul F. Genachte, The Chase Manhattan Bank, New York.

Oil and Natural Gas Securities: Edmond N. Morse, Smith, Barney & Co., New York.

Public Utility Securities: Thomas M. Johnson, The Johnson, Lane, Space Corporation, Savannah.

Railroad Securities: Alfred J. Ross, Dick & Merle-Smith, New York.

Small Business: W. Yost Fulton, Fulton, Reid & Co., Inc., Cleveland.

State Legislation: Harry Beecroft, Beecroft, Cole & Company, Topeka.

Stock Exchange Relations: Eugene M. Geddes, Clark, Dodge & Co., New York.

Syndicate: W. Scott Cluett, Harriman Ripley & Co., Incorporated, New York.

GROUP CHAIRMEN

The Group Chairmen for the oncoming year are as follows:

California

Curtis H. Bingham, Bingham, Walter & Hurry, Inc., Los Angeles.

Canadian

Arnold B. Massey, Mills, Spence & Co. Limited, Toronto.

Central States

Paul W. Fairchild, The First Boston Corporation, Chicago.

Eastern Pennsylvania

Harley L. Rankin Goldman, Sachs & Co., Philadelphia.

Michigan

William L. Hurley, Baker, Simonds & Co., Detroit.

Minnesota

Guybert M. Phillips, Caldwell, Phillips Co., St. Paul.

Mississippi Valley

Elvin K. Popper, I. M. Simon & Company, St. Louis.

New England

William H. Claflin, III, Tucker, Anthony & R. L. Day, Boston.

New York

Francis A. Cannon, The First Boston Corporation, New York.

Northern Ohio

Jack R. Staples, Fulton, Reid & Co., Inc., Cleveland.

Ohio Valley

W. L. Lyons, Jr., W. L. Lyons & Company, Louisville.

Pacific Northwest

Roy S. Shea, Murphy Favre, Inc., Spokane.

Rocky Mountain

Ray L. Robinson, Garrett Bromfield & Co,, Denver

Southeastern

W. Olin Nisbet, Jr., Interstate Securities Corporation, Charlotte.

Southern

Carr Payne, Cumberland Securities Corporation, Nashville.

Southwestern

Paulen E. Burke, Burke & MacDonald, Inc., Kansas City.

Texas

Earl G. Fridley, Fridley, Hess & Frederking, Houston.

Western Pennsylvania

Addison W. Arthurs, Arthurs, Lestrange & Co., Pittsburgh.

Sites and Dates of Next Year's Convention

The Americana Hotel in Miami Beach, Florida, has been selected as the site for the holding of the Association's 47th Annual Convention in 1958. The meeting will be held during the period of Nov. 30 to Dec. 5, 1958.

Oppenheimer Adds

Alan G. Florea has become associated with Oppenheimer & Co., 25 Broad St., New York City, members of the New York Stock Exchange, as a registered representative.

Cleve. Analysts to Hear

CLEVELAND, Ohio — Ellery Sedgwick, President of the Medusa Portland Cement Co., will speak before the Cleveland Society of Security Analysts on Wednesday, Jan. 29, 1958.

J. Barth Adds

(Special to THE FINANCIAL CHRONICLE)

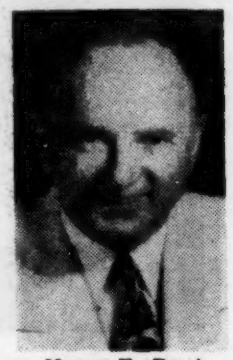
LOS ANGELES, Calif.—Herbert Shore has been added to the staff of J. Barth & Co., 3323 Wilshire Boulevard.

Ross, Low Partner

Ross, Low & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Emanuel Ehrlich to general partnership and Clara G. Wolfson to limited partnership.

Hear! Hear!

"If the missile crisis forces us to spend more in one direction, we must find ways to spend less in other directions. The Communist view that we can be made to destroy ourselves fiscally and economically stands more clearly before us than ever before. We must not and shall not allow ourselves to be enslaved by our own extravagances.



Harry F. Byrd

"We must recognize that we have two fronts to maintain—one military, and the other economic. We must be superior in both.

"We can not afford non-essentials in military programs, non-essentials in foreign aid, or non-essentials in government civilian activities.

"Preliminary to broader action, to meet the situation before us we need immediately:

"To rechart our defense expenditures on the basis of a reevaluation of the relative priority of present and developing methods of warfare;

"Without impairing our defense, to eliminate obsolete weapons, methods, and techniques, and wasteful practices which exist in many Defense Department activities;

"To eliminate extravagance in foreign aid, and put more emphasis on military assistance, while reducing economic aid; and

"To squeeze every non-essential dollar out of domestic-civilian programs." — Senator Harry F. Byrd.

There is more good commonsense packed in these sentences than we have seen for a good while past.

IBA PAST PRESIDENTS

1956 - 57

Robert H. Craft

1955 - 56

George W. Davis

1954 - 55

Walter A. Schmidt

1953 - 54

T. Jerrold Bryce

1952 - 53

Ewing T. Boles

1951 - 52

Joseph T. Johnson

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Inflation: Cause and Prospects

is the upward thrust of wages which is a major cost of production. This comes about because monopolistic unions which cannot be opposed by any countervailing force under the law are able to get pretty nearly what they ask for every time. We have come to a period in our industrial relations where wage increases become automatic. In many industries increases are granted regardless of whether there is a productivity gain sufficient to offset the rise in wages.

It is a disturbing fact that even while the index of production declines pay increases mount. Today there are in existence, 1,197 contracts covering more than 4 million workers which call for automatic pay increases next year regardless of the state of business or the public demand for goods. The median increase will be 8c an hour under these contracts next year.

Now this spiraling of wages and prices cannot go on forever unless it is supported by the monetary authorities. When prices get too high, the public backs off and buys less. Some producers are forced to curtail. Unemployment then develops as a result of the high prices. This is the kind of self-adjusting mechanism we used to have. But it has not been working that way in the past few years. Whenever costs and prices get too high and a readjustment is called for, then the government steps in with some more inflation of the money supply and the whole process starts up all over again. This is what happened in the recessions of 1949 and 1953. When the readjustment began to take place, the Federal Reserve policy was modified, money was made easier, new bank deposits were created (on top of a $7.5 billion tax cut effective in 1954) and the fuel for new inflation was introduced. Only recently the Federal Reserve authorities said they had probably gone "too far" with their easy money policy in 1953-4, and therefore the result was a splurge in '55 and '56.

The Federal Reserve Board is really on the horns of a dilemma. It must keep its eye on two important trends. (1) The trend of prices which indicates whether the buying power of the dollar is rotting away. Maintaining the **stability of the dollar** is a primary responsibility of the Federal Reserve Board. (2) It must also watch the **trend of industrial production**, and the necessity for funds to finance that production. But when the Federal Reserve tries to resuscitate the drooping production index it inevitably throws more fuel on the wage-price fire. There is ample evidence that the operation of our present labor policy protecting monopoly unionism makes the effective employment of monetary policies politically impossible. Unless greater restraint in wage demands is exercised by union leaders, or unless Congress changes the laws which give them the power to achieve rising labor costs despite recession, monetary policy cannot achieve its purpose without staggering loss to the nation in unemployment and lower production. If this market-economy machine is to work well, then all parts must be made flexible.

What's Wrong With Inflation?

Well, if wage rises can somehow be brought under control and if we can prevent recessions by inflation, what's wrong with inflation? There are many answers to that question. Inflation of the money supply finally has its effect on prices, and while some people are helped by rising prices others are hurt. Every bondholder, every holder of life insurance policies, every savings bank depositor, every recipient of a pension — all these people are cheated by inflation. Consider this simple fact. The net total debt outstanding both public and private (excluding life insurance obligations) was $684 billion at mid-year 1957. The debasement of the currency totaling .3%, which occurred in the past year, means that over $20 billion of savings was wiped out in that short period of time. Just imagine that —loss of purchasing power of $20 billion in 12 months by a large segment of the population! It should be considered unethical for any nation to engage in a conscious policy of cheating its citizens by a policy of monetary debasement. But there is another reason and a very important one. Inflations do not work forever. There comes a final end to inflation and then comes the debacle. The shock to the economic, political, and social fabric of the nation by the inflationary rise and the deflationary fall is a danger to the maintenance of a free, democratic society.

Contrary to some current theories there is no such thing as a creeping inflation. The foremost exponent of the "creeping-inflation" theory is Professor Sumner H. Slichter of Harvard. Now it is interesting to note that when Dr. Slichter at first recommended an inflation of 2 to 3% in the price level each year, he considered it a necessary evil. Since the unions are strong enough to force the wage and price level higher, he reasoned, monetary authorities had better validate this wage-price spiral by supplying the necessary dollars or we would have a recession—and that would be too painful to bear. But now, curiously enough, after several years of such advocacy, we find Dr. Slichter implying that inflation may be a good thing. Such sentences as these appear in his writings. "Now the fact that inflation may be a result of the health and vigor of the economy does not alter the fact that inflation is a problem." Imagine that—"inflation may be a result of the health and vigor of the economy." At another point he says that inflation "is a cost that the country must accept in order to achieve benefits which are worth many times the cost of creeping inflation." Note how the word "benefit" creeps into his thinking with the word inflation.

If inflation becomes a national policy, would it not be fair to ask those who advocate it to be in favor of warning the public against investing in a government bond? Would it not be ethical to tell the public that for every thousand dollars they invest at least $500 and perhaps more of their purchasing power will be lost within a generation? On ethical grounds I would imagine that such a statement should go hand in hand with a government policy which causes the expropriation of the unwary citizen.

Prior to the last few years there was no important voice in the United States that would defend inflation as a way of life. After all history is strewn with the wreckage of nations which tried to succeed by the inflation route. But now this has changed. There are some very important voices in this country that tell us that inflation can be a way of life—but it must be slow inflation, say 2 to 3% a year. Quick inflation they admit is deadly, but a slow, ballooning of currency and a continual but slow rise in prices is a good thing.

One of the best answers to the Slichter policy of inflation was given by Mr. C. Canby Balderston, Vice Chairman of the Federal Reserve Board. Here is what he said, "A misconception that is part of our intellectual currency today is that a little inflation is a good thing. A little inflation sometimes thought of as roughly 2% a year, would double the price level every 35 years. However, even if we accept the inevitability of creeping inflation, and I certainly do not, it is not possible to have just a 'little' inflation. Once a community accepts the prospect of continued inflation and begins to make its business decisions in the light of that prospect, the infant ceases to creep. It learns to walk, run and finally gallop even though the gallop may carry it over the brink of the precipice that everyone agrees must be avoided. . . ."

In other words once the public catches on to the fact that the swindle of inflation is going to rob them of the buying power of their savings, then everybody rushes to protect himself by getting rid of dollars and buying something tangible. When that happens nobody can protect himself any longer. The swindle is over—the game has been played out.

Chronic Nature of Currency Debasement

To what extent will people get into this frame of mind once they are certain that inflation is a chronic disease? Won't people borrow against their life insurance equities in order to buy stocks or real estate? Will not business firms cash in government bonds, borrow as much as they can and buy as much of their future needs as possible? And when that buying binge is over for awhile, couldn't we get a sudden vacuum which would hit industry a stunning blow? In other words once everyone is wise to the fact that inflation is a continuing policy might we not get booms and busts that would put everything that happened heretofore in the shade?

Frankly, I am not very sanguine about halting the secular inflationary trend. As I said previously I think this is a political problem for which there is no ready solution. I can see no real hope of halting the long-time inflationary cycle unless there is a

basic change in the policy which permits the present privileges and immunities of monopoly labor unions. Inflation seems, on the surface, to be an easy way out of our difficulties and the authorities will probably take that road.

The first step will be to make money more plentiful for loans by commercial banks, and to decrease interest rates. A first move in this direction has already been made by the Federal Reserve Board. As you all know, the Federal Reserve Board has three powerful weapons which it can use to make an easy money policy. (1) It can lower the rediscount rate. (2) It can lower reserve requirements for commercial banks, and (3) It can buy government obligations and thus increase the reserves of the commercial banks. By a combination of these policies we can get an era of "easier money." Now since the present recession was in part due to the monetary restraints imposed by the Federal Reserve Board, it seems probable that the easing of these restraints will encourage some increase in demand.

But the question is whether now, or in the near future, this policy of credit inflation will be sufficient to raise the business level to popularly desired levels. When those heights are not achieved and when the public clamor becomes more insistent, then the administration will probably engage in more direct inflation. It will create budgetary deficits and in that manner money will be spent directly by the government for a variety of purposes. Maybe those deficits will be given to the public in the form of tax reductions so that the people can spend the money and create demand. When public policy is dedicated to creating a definite level of prosperity regardless of the waste, inefficiency, or bad judgment which has been built up in the economy, then the government will have to eventually engage in the most direct form of inflation, which is inflation through budgetary deficits and government expenditures. The probability is that when such inflation does occur it will eventually have to be much more massive than anything we have known in peacetime until now. Deficits of $2 billion or $3 billion will not be sufficient. They will have to be in the nature of $5 billion or $10 billion or more. I am not making a forecast that such an event will take place soon, but that it will occur in not too many years, I believe, is evident from the facts in the case.

Some Results of Debasement

There is another point about the future course of economic affairs that I would like to stress. That is the effect of an inflationary policy upon interest rates. If inflation is engaged in as a general policy, then from time to time it will get out of hand and the government will be forced to try to curb it. This curbing will take a number of forms. One of the basic restraints that government can use is to curtail the availability of money temporarily and to raise the cost of borrowing. This has been done in every country in the world—even in the socialist countries like Holland and Norway as well as in Britain, the home of cheap money. In all of these countries it has long been government policy to make money easy to borrow and cheap. Socialist and left-wing officials attacked higher interest rates as the tool of the capitalists to enslave the people. But the record proves that in every one of these countries interest rates were forced up despite their fallacious theoretical ideas. A first-rate industrial company cannot borrow money in these countries today for less than 8 to 10%. Some have to pay even more. But the point that I am making is that in this country if we are going to have inflation, then interest rates will rise over the years. We will have a history similar to that of other countries. Five-percent money for a first-rate corporation may sound very low as we look back at it many years from today.

Of course the interest rate will fluctuate. When recessions come, money becomes more plentiful and the interest rate falls. This has happened in the past. Interest rates declined in the '48-'49 recession and in the 1953-54 recession. But then, as inflationary policies took effect, interest rates climbed higher. Today there is a softening of business and a lowering of interest rates. **We are having a small bull market in bonds which may well continue into 1958.** But as inflationary moves take effect, and as the demand for money increases, then industrial activity (as well as wages and prices) will start upwards again. The history of rising interest rates of the past 10 years is likely to be repeated in the future regardless of whether the administration is Democratic or Republican. Probably under the Democrats the inflationary pace will be faster. The point is that if we are going to have inflation the trend of interest rates will be pushed upward, as it has been in the past, and as it has in every inflationary country in the world.

As inflation continues, it is going to create many distortions and cause a great deal of trouble. For instance it will continue to cause the overstatement of profits by corporations. Profits being reported today in dollars worth only a fraction of their value of 10 years ago, are to a great extent phantom profits. A good part of this net income should be allocated to depreciation of worn out plant and equipment not to profits. Some machines cost between two and three times their price of 10 years ago. The money recovered in the depreciation account for 10-year-old machines only partially covers the cost. It has been reliably estimated that overstatement of the profit account totals over $40 billion in the past 10 years and currently it is running at the rate of about $6 billion. Today corporations are paying taxes on profits which do not exist, and they will continue to do so as the inflation proceeds.

Prosperity Without Inflation

Many people who dislike inflation ask the question — Is the alternative to inflation large-scale unemployment and recession? Must we go from the frying pan into the fire? The reason they ask this question is because of the vast inflationary propaganda and the fallacious ideas that have been spread to people in this country. It is absolutely untrue to say that we cannot have prosperity in this country without inflation. It is untrue to say we cannot have growth and progress without inflation. The past history of this country would disprove both of these statements. In the early 1920's, before inflation took hold, there was a sound, rising prosperity and emplyoment in this country. This occurred despite a falling commodity price level. There are many other such instances. The fact is that we cannot have solid prosperity **with** inflation. It is inflation that finally causes the depressions and the "busts" that bring misery in their wake.

If you want to see a practical example of this, look to Europe. What is the most prosperous country in Europe? What country rose from rubble and ashes and in 10 years of phenomenal progress became the leader? It is the Federal Republic of West Germany. This phenomenal recovery was no miracle. It was due to the fact that Germany was led by men who understood the basic principles of private capitalism and who turned their face irrevocably away from inflation. Ludwig Erhard, Minister of Economic Affairs, did this despite pressure from American authorities to follow the American course in 1947 and inflate their currency. While Germany was pursuing the anti-inflation, private capitalism role, France and England were going down the road to pseudo-socialism and inflation. The result today is plain for anyone to see. Here is living evidence that the best road for a country to take is the anti-inflation road. The other leading countries of Europe, like France and England, give compelling evidence that the inflation road leads only to trouble.

Finally, I would like to suggest to you a very compelling reason why the stability of the dollar must be made a main objective of government and monetary policies. Those who in desperation welcome inflation to solve our difficulties, or those who advocate it openly as a consistent national policy, overlook one thing. They assume that this country will stand for continually rising prices and a rotting dollar without doing anything about it. But I submit that they are wrong. The recent statement of the Democratic Policy Committee authored by Professor Galbraith indicates what course will be taken. If prices rise consistently, the public will demand controls of some kind. There will be insistent pressure for wage and price controls and in the Democratic policy statement, it was suggested that this might be made national policy. With wage and price controls would come, as we all know, a perfect miasma of restrictions and impediments to production and industrial progress. It would be the final blow for a dynamic society like ours. So the alternative to maintaining dollar stability is not a happy, zooming, inflationary era where everybody is well off, but rather an era of price controls and wage controls which means the loss of both economic and political freedom. I suggest, that you think upon this as a central fact when you weigh the future of inflation in this country.

The substance of what I have been saying is that while inflation seems an easy path out of trouble, it is in reality a dark road that leads to economic, social and political troubles. We need not take that road if we have some fortitude and intelligent leadership. We can have prosperity and maintain the stability of the currency. There is a shining example in the world today of this truth. The path we take is up to the people of this country. They can make the decision only if they know the truth.

Form S. M. Peck Co.

S. M. Peck & Co., members of the New York Stock Exchange, will be formed as of Jan. 1 with offices at 120 Broadway, New York City. Partners are Stephen M. Peck, member of the Exchange, general partner, and H. E. Peck limited partner.

McMannus & Mackey To Admit

McMannus & Mackey, 39 Broadway, New York City, members of the New York Stock Exchange, on Jan. 2 will admit Susan Gallic to limited partnership.

Boston Invest. Club Elects New Officers

L. A. Warren, Jr.

BOSTON, Mass.—At the Annual Meeting of the Boston Investment Club, held Wednesday, Dec. 11, 1957 at the Harvard Club of Boston, the following officers were elected to serve during 1958:

President: Lowell A. Warren, Jr., Dominion Securities Corp.

Vice-President: Dixon B. White, Hornblower & Weeks

Treasurer: Joseph M. Hurley, Jr., Harris, Upham & Company.

Secretary: Richard E. Murray, May & Gannon, Inc.

Publicity Chairman: Neil S. Atkinson, Eaton & Howard, Inc.

To Be Leavitt Partner

Lewis D. Bornstein on Jan. 1 will become a partner in Leavitt & Co., 40 Wall Street, New York City, members of the New York Stock Exchange.

Securities Salesman's Corner

By JOHN DUTTON

Some People Have to Be Told

There are people who will follow your suggestions without too much persuasion—there are some who think they know all the answers—and there are some investors who want you to tell them the facts of life and, unless you do so, you will never do business with them. Unless you can control your accounts you are never going to do a satisfactory job for your customers. It is to their advantage that **they** understand this. When you come across a situation like the one I am going to relate to you this week it is a cut and dried procedure that leads to success. I've tried the other way and it won't work. Some of these people make the best clients AFTER YOU HAVE SOLD THEM ON YOU.

The Busy Doctor

About a year ago I met a very successful Doctor in his office, along with another of his friends with whom I had done some business in the past. We had a very pleasant interview but nothing developed and for a while I kept this man on the mailing list and then cut him off. Much to my surprise I received a telephone call a few weeks ago from his wife who worked in his office with him. She said that at last the Doctor had decided to buy some tax exempt bonds and she wanted me to once again call to see them both at his office at a specific time after his office hours. I was to come prepared and bring along whatever literature I thought they should read, etc. I made the appointment and followed it.

To any experienced salesman the situation was obviously one where the wife and the Doctor were the kind of people who thought they could make their own decisions. The request that I bring some literature along was indicative of the way their minds were working. When I arrived at their office I was kept waiting about a half an hour. Then I was finally ushered into the sanctum-sanctorum and the first words the Doctor said was: "I've had a busy day Mr. Dutton, can you leave what literature you have with me and we'll go over it and let you know." My reply was as follows: "Doctor, didn't we meet in your office about a year ago?" "Yes, that's why I called you again," he replied. "Well, Doctor," said I, "there are a few questions I would like to ask you and unless you can spend a few minutes seriously talking with me now, I will gladly make another appointment when you have the time to do so.

"If I came into your office and said to you, Doctor I feel sick, write out a prescription for me and I'll read it over and if I decide it is the medicine I should take I'll let you know, I think you'd agree that I was taking quite a bit on myself wouldn't you? Your financial health is a pretty important matter and if you and I are ever going to do any business together I am going to tell you right here and now that we will never do you any good unless we first find out what you now own in the way of securities, your investment needs today, and what is the best program for you.

"Unless we can take the time to do this I am sorry, I am not going to be able to help you do the investment job that you should accomplish. Can you and Mrs. Hurryitis relax and talk with me for at least a half an hour now, or shall we make it some time later in the week when you can do so — providing you are **serious** about this?" And I said it with a smile.

He Opened Up

He agreed to talk for a while and the first question I asked him was, "Why did you telephone me after all these months?" He replied that the last time we met that I had recommended he consider some tax-free bonds since he was in the higher income bracket. He had taken a sizable licking in common stocks and he now was ready to talk bonds. This opened the door to an analysis of his list, the possibilities of tax loss selling, and a constructive approach to the entire account. Before leaving with his list, I made another point clear and that was, that it takes a good client as well as a good investment man to do a constructive investment job.

I stressed the point that even though I was prepared and pleased to send him literature on attractive tax free bonds, and other investments, that it would be a lot better for him if he selected someone who knew values in this highly specialized field (either myself or someone else) and relied upon their specialized knowledge to help him select the right bonds for his account.

One of the reasons he had made mistakes was that he was too busy and too unqualified to make the proper investment selections — I didn't tell him this but I put it this way. "Doctor, you are busy 10, 12 hours or more out of the day practicing medicine and you've put in many years of study and preparation for your work. Although you certainly have been buying securities for quite a while there is one thing I can do for you if you will only let me—and that is give you the benefit of the same sort of specialization, and sincere interest in your financial welfare as you would give my health—if you will allow me to do so. How about it?"

Control the Account

Unless you can handle accounts like this over the telephone with an occasional luncheon interview, or one or two special appointments a year, don't waste any more time on them. If you are **boss** your customer will be agreeable and you will have a worthwhile account—but if you are going to let this type of person keep you busy telephoning, and sending mail, and then wait for his decision, forget him! There are some horses that have to be held with a tight rein and they will ride well—and you won't be able to handle them any other way.

Louis G. Mudge With Chas. E. Quincy Co.

Louis G. Mudge, formerly deputy director of marketing for the International Bank for Reconstruction and Development, has become associated with Chas. E. Quincey & Co., 25 Broad Street, New York City, members of the New York Stock Exchange and American Stock Exchange.

Prior to his association with the International Bank, Mr. Mudge was a Vice-President and Director of The First Boston Corp.

Continued from page 6

The Business Outlook

by the government sector of the economy may be increased in 1958.

Business spending accounts for the remaining 15% of the output of the economy. Spending by business for plant and equipment rose steadily in the postwar years, but is now leveling off and will decline in 1958. The second purpose for which business spends is for inventories. The value of inventories has been rising for 32 consecutive months. However, the rate of inventory accumulation in 1957 slowed down substantially compared to 1956.

With this broad background, let us examine briefly ten specific areas of the economy:

Construction and Housing Starts

(1) Construction expenditures this year are rising and now are over 2% above the 1956 total. This expansion has been the result largely of increased expenditures by public utilities and the persistent increase in state and municipal projects, such as schools, highways, sewer and water facilities. A recent government report estimates that construction expenditures in 1958 may be 5% above the current spending level. However, with some down turn in business, construction outlays in 1958 will probably hold around the estimated $47 billion to be spent in 1957.

Residential construction, on the other hand, continues to lag a little behind 1956, with the number of housing starts in October running at an annual rate of one million units. The dollar volume of residential construction has not declined as much as the number of housing starts. There were one million, three hundred thousand housing starts in 1955 and one million, ninety-three thousand starts in 1956 compared to a probable nine hundred and eighty thousand for 1957. This year may be the first year since 1948 that housing starts will have fallen below one million. If capital spending by business is less in 1958, some additional mortgage money may be available for housing but the number of starts in 1958 may be about the same or possibly slightly up, compared to 1957.

The Automobile Industry

(2) The automobile industry supplies millions of jobs and an important percentage of the purchasing power of American workers. Automobile sales during the next few months will play a significant role in determining the direction business will take. It is still too early to determine the extent of public acceptance of the new models. Automobile sales will reveal the present attitude of consumers toward spending and the effect of the price increases. The year 1958 will be a very good year if sales come near to equaling the approximately six million American cars that may be sold in 1957. If there should be any tendency unwisely to extend maturities or permit inadequate down payments in order to facilitate sales, it would be unfortunate.

Business Spending for Plant and Equipment

(3) Business spending for plant and equipment will amount to about $37 billion this year compared to $35 billion in 1956 and $28 billion in 1955. The recent McGraw Hill survey estimates these expenditures will decline by 7% in 1958. The biggest decreases will be in the manufacturing, railroad and mining industries.

The principal reason manufacturers give for reducing these expenditures in 1958 is excess capacity. In 1955, manufacturing operations were at 92% of capacity; in 1956, 86%; and in 1957, 82%. These figures suggest, that business will be reluctant to increase productive capacity.

Inventories

(4) Inventory accumulation and inventory liquidation have a very important influence on the business cycle. A shift by business from a policy of inventory accumulation to one of inventory liquidation, or even to a reduction in the rate of inventory accumulation, tends to reduce production. In 1949, and again in 1953-54, nearly all the decline in national output was due to inventory liquidation.

Business accumulated inventory at a very rapid rate in 1956, and the much slower rate in 1957 probably reflects good business management. For the short run this effects business activity adversely, but for the long run it should help to produce a more stable economy.

Total inventories during September showed one of the smallest increases of any month this year. In at least the first part of 1958, we may find that businessmen will try to reduce further the rate of their investment in inventories.

Industrial Production

(5) Contrary to the usual seasonal increase, industrial production declined two points in October to 142, the lowest level for 1957. Industrial production in 1957 has persistently remained under the levels of last December when it stood at 147. Steel production is well under 80% of capacity and the output of producers' equipment, such as electrical machinery, has declined. Manufacturers' backlogs of unfilled orders are lower and orders for machine tools are down substantially. Compared to 1956, carloadings have been declining steadily in 1957. It is probable that industrial production will decline fur-

ther before there is a sustained upturn.

Employment

(6) Although employment in October was high, the increase over September was not as great as usual. Unemployment did not show the usual seasonal decline in October. The percentage of the civilian labor force unemployed stood at 4.6% (seasonally adjusted) which is higher than in any month of 1957 or 1956. Manufacturing employment has declined in nine of the first ten months of 1957, and in October there was a reduction in the workweek from 40 to 39.5 hours, which compares to 40.7 hours in 1956. With a continuing slow decline in production, some moderate rise in unemployment may occur in the months immediately ahead, with a consequent decline in consumer income.

Corporate Profits

(7) The reports on corporate profits after taxes are not yet available for the third quarter. It is anticipated that they will be considerably above the third quarter of 1956 when profits were adversely affected by the steel strike and the early autombile model changeover. However, it is not probable that third quarter profits in 1957 will be up from the second quarter. Corporate profits after taxes were $21 billion in 1955 and again in 1956. For the first six months of 1957 they are continuing to run at an average rate of $21 billion. Although business has spent tens of billions of dollars for capital expenditures in recent years, profits have not increased proportionately. In the first half of 1958, this problem promises to be no less difficult.

Defense Expenditures

(8) Recent international developments seem likely to result in some increase in defense expenditures. An enlarged defense program will require some time before its full impact is felt on the economy. But even a decision to increase defense expenditures significantly, after the strong public and Congressional emphasis on a balanced budget in 1957, might be a buoyant influence in the economy. At present, it seems probable that for the months immediately ahead, the increase in defense expenditures cannot be large. However, with an expansion in research, greater defense expenditures seem certain to follow, perhaps within a year. Moreover, once expenditures start increasing they almost invariably grow larger than originally intended. A clearer picture of the effect of increased defense expenditures must await the new budget and tax program and the debate in the Congress.

Bank Loans

(9) If we assume that business in the first six months of 1958 may experience some decline, we may also assume that the volume of bank loans will show a downward trend.

The recent action of the Federal Reserve System in reducing the discount rate implies that the System will also take those steps, perhaps in the open market, which will make the money market less tight. To the extent that bank loans decline in the months ahead, the need for action by the Federal Reserve to ease the money market may be lessened.

The International Situation

(10) In an analysis of the business outlook we ought not overlook the possible impact of foreign developments on American business sentiment and the economy. Consider briefly only two areas, the Middle East and France.

The current situation in the Middle East is fraught with considerable danger. Almost two-thirds of the world's oil reserves are in the Middle East. Oil from the Middle East runs much of the industrial equipment and all the military equipment of Western Europe.

The Syrian army is now in control of leaders who apparently look to Soviet Russia for guidance. All of the operating oil pipelines that supply Western Europe run through Syria. Egypt now controls the Suez Canal through which a large part of the oil for Western Europe is also transported. If Syria and Egypt should finally come completely under Soviet domination, it would present a serious problem to the West. If we were faced with the possible economic collapse of Western Europe, our defense nearest to the Soviets, we would be confronted with the necessity of making some hard decisions.

France is facing an extremely difficult period. She has had 23 governments since 1945. She has a bad inflation. She has rebellion in Africa. Her budget is unbalanced. Her gold reserves, except for about 500 million of special reserves, are practically exhausted. Unless she can borrow more money, and is willing to accept economic austerity, she may resort to the printing press for money. In view of the magnitude of these problems, a failure to meet them might have severe repercussions in all of Western Europe.

Summary

The probable business outlook for the months immediately ahead may be summarized as follows:

(1) Total construction—approximately equal to the estimated $47 billion for 1957.

(2) Housing starts—about the same as 1957, or up slightly.

(3) Automobiles—if sales come near to equaling 1957, it will be a good year.

(4) Business spending for plant and equipment—down about 7%.

(5) Inventories—further efforts will be made to reduce the rate of inventory accumulation.

(6) Industrial production — a further decline is likely before there is a sustained upturn.

(7) Labor — some increase in unemployment.

(8) Corporate profits — a decline of perhaps 5 to 10% in corporate profits.

(9) Defense expenditures — increased research will lead ultimately to larger expenditures.

(10) Bank loans — some easing in demand.

Elkins Morris Stokes To Admit Two

PHILADELPHIA, Pa.—Elkins, Morris, Stokes & Co., Land Title Building, members of the New York and Philadelphia-Baltimore Stock Exchanges, on Jan. 1 will admit William G. Berlinger, Jr. and John Gribbel II to partnership.

G. C. Haas & Company To Admit Partners

G. C. Haas & Co., 65 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Mills M. Fries and Edgar T. Mead, Jr. to general partnership and Ilse H. Levinger to limited partnership. Mr. Fries is Manager of the firm's Research Department.

Hallgarten & Co. to Admit Four Partners

On Jan. 1 Hallgarten & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, will admit Edward S. Wilson, David S. Gottesman, Frederick M. Peyser, Jr. and Calvin M. Cross to partnership.

Form Tower Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Tower Securities Corporation has been formed with offices in the Boston Building to engage in a securities business. Officers are Norman Feldman, President; Roberta Feldman, Vice-President; and Harry Feldman, Secretary.

Counselors Management

LOS ANGELES, Cal.—Counselors Management Company is engaging in a securities business from offices at 606 South Hill Street. Partners are Stephen Titus and George C. Good. Both were formerly with Witherspoon & Co.

Creary-Ross Opens

HOUSTON, Tex. — Creary-Ross and Associates has been formed with offices at 1408 Jefferson Street to engage in a securities business. Partners are Dan W. Creary, Charles D. Ross and Ted A. Molfino.

Form Le Vesque Assoc.

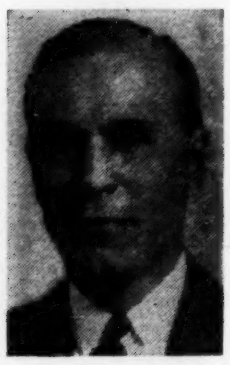
(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Le Vesque and Associates has been formed with offices at 321 South Beverly Drive, to engage in a securities business. Partners are Russell J. Le Vesque, general partner, and William H. Matthews, Anthony Toth, Wesley A. Provencal, and Charles Mittleman, limited partners.

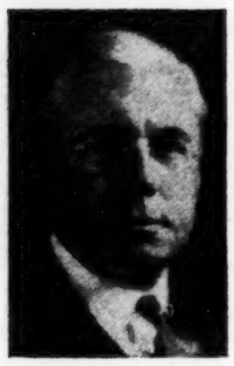
IBA PAST PRESIDENTS

1943 - 44 - 45 | 1942 - 43 | 1939 - 40 - 41

John Clifford Folger



Jay N. Whipple



Emmett F. Connely

1938 - 39 | 1936 - 37 | 1935 - 36

Jean C. Witter

Edward B. Hall

Orrin G. Wood

Two With Merrill Lynch

(Special to The Financial Chronicle)

DENVER, Colo. — William N. Gunderson and Carl H. Gustafson have become affiliated with Merrill Lynch, Pierce, Fenner & Beane, First National Bank Building.

Shearson, Hammill Branch

BOSTON, Mass. — Shearson, Hammill & Co., will open a branch office at 75 Federal Street, as of Dec. 30, under the management of John Dean.

Continued from page 10

Economic Outlook Implications For Interest Rates and Deposits

how much the demand for homes may improve.

As everyone knows, the combination of fixed contract rates on FHA and VA loans and a tight money policy have restricted the flow of money into home mortgages. The steady decline in new mortgage lending during the past year and a half was confined largely to Government guaranteed and insured loans, reflecting the big drop in housing starts under VA and FHA inspection. Conventional starts have remained at a high level and for the first eight months of 1957 were at the highest level since 1953. Further recovery in housing starts and in the volume of mortgage financing is obviously tied up with FHA and Federal Reserve policies.

How the demand for housing will be affected depends upon the trend in personal incomes, upon housing costs, and housing credit terms. There is undoubtedly a big latent demand for housing, but it will not be activated unless home buyers view the future with confidence and can obtain credit on an easier payment basis than now prevails. Although restrictions on the supply of credit are usually given as the chief reason for the past two years' decline in residential building, it is also true that effective housing demand has been dampened by consumer resistance to high costs and by the burden of debts already contracted by potential home buyers. Construction costs have risen steadily to new highs.

Government Outlays

Governmental expenditures are another potential source of increased economic demand.

No one doubts that State and local government outlays will continue their steady postwar rise because of critical needs for schools, roads, sewers, hospitals and other public facilities. Purchases of goods and services by State and local governments have risen during the past year by $3 billion, or by 10%, and this rate of growth will continue. However, there is less certainty about the course of Federal Government outlays although each day brings new evidence of an expanding Federal budget.

The *Midyear Budget Review* published last October, is already outdated by economic conditions and by current reappraisal of the defense program. A budget surplus of $1.5 billion for fiscal 1958 ($3.1 billion of net cash income) was predicated on a high level of business activity and increasing national income. Somewhat lower receipts and higher expenditures than estimated could eliminate the surplus.

The *Midyear Budget Review* left unchanged the anticipated spending for the Department of Defense at $38 billion, but the Administration has already conceded that this target cannot be met.

The Budget for fiscal 1959 is still in the making but, according to reports from Washington, the Administration is proposing to increase expenditures on the production of missiles and related items by $2 billion and to increase appropriations for mutual security by $1.1 billion. Time will tell in what other areas the Budget will grow. Since it may be doubted that efforts to cut non-defense categories will prove successful, a deficit in fiscal 1959 appears highly probable.

A rising trend in Federal expenditures lessens the possibility of a tax cut. Of course, if the economy were to experience a prolonged downturn, a reduction in Federal taxes could be anticipated as an economic policy measure.

Since the mere prospect of increased Federal expenditures has some effect upon the planning in defense and defense related industries, the publication of the new Budget in January, 1959 will have an important bearing upon future business conditions. Some observers feel that regardless of the proposed Budget, total expenditures will rise substantially and that their direct and indirect effects will go far to offset incipient declines in demands in the private economy.

Demand for Funds

The over-all demand for credit during coming months will recede as business defers expenditures for plant and equipment and works off inventories. The decline in business demand for funds will probably be greater than any net increases in housing credit demand or in governmental borrowing.

Business loans of commercial banks which rose almost without interruption from the middle of 1954 to the middle of 1957 are now declining. Loan demand in some manufacturing categories such as public utilities has been sustained but generally the trend is downward.

The volume of corporate securities issues during the first nine months of 1957 was $9.9 billion, $2.0 billion more than in the same period last year. If plant and equipment outlays decline in 1958, new issues could contract rapidly considering that funds from depreciation and amortization will continue to accrue.

In 1953-54 so-called internal sources of non-financial corporations (retained profits and depreciation allowances combined) rose by $0.7 billion, while external sources (bank loans securities issues and mortgages) dropped $2.5 billion.

A rise in housing starts next year to the 1,100,000 level would mean a more rapid growth in mortageg debt. Mortgage debt on 1-4 family houses could rise by $9.5 billion in 1958 as compared with an estimated $8.9 this year, $10.9 in 1956 and $12.5 in 1955 when starts reached 1,329,000. The rise in the debt will be moderated by the rise in the volume of repayments on outstanding debt. New loan demand depends not only on starts and purchases of existing houses but also upon the size of individual mortgages which are in turn a function of selling prices and of loan to value policies of lenders.

Borrowing by State and local governments are at near record levels of $7 billion reached in 1954 and may rise further but, together with the increase in mortgage debt, will not offset the decline in the demand for business credit. As already noted the Federal Government has a current cash surplus. The net result is that the growth in savings and in the supply of funds available to institutional investors should be adequate to satisfy demands at a falling level of interest rates.

The Outlook for Interest Rates

Assuming a continuing downturn in business and with it an easier monetary policy, interest rates are bound to fall. Clearly the turning point in interest rates following a three-year rise has already been reached. How far and how rapidly rates will fall is another question. The answers depend upon the extent to which the economic downturn has its origin, fundamental imbalances such as excess capacity and superfluous inventories, which can only be cured by rather painful competitive adjustments, and upon the extent to which economic activity responds to an expanded defense program and to an easier monetary policy.

Our most recent experience was the 1953-54 recession when rates fell for a period of about one year, with short-term rates declining much more sharply than long-term rates. I have no doubt that short-term rates will again show a greater decline than long but, looking ahead only through 1958, I have some doubts that the decline in rates will be as rapid as was the case in 1953. You will recall that the yield on Treasury bills dropped from about 2¼% to 0.65% in a year's time, while long-term Treasuries declined from around 3⅛ to 2½% (Old Series).

In the present instance, the turning point occurred at a time when yields on short maturities in the market for Government securities were above those in long-term securities, a characteristic of extremely tight monetary conditions. Nevertheless, I would expect that the decline in rates in the coming year will proceed more slowly and not go as far as it did in 1953-54. Much will depend upon the skill with which Federal Reserve operations are managed and upon the way the financial fraternity reacts to business developments and to Federal Reserve strategy. I observe a growing sophistication among investment officers concerning Federal Reserve policy. There was a time not long ago when the mechanics of monetary controls were not widely understood. People now complain that the drop in the discount rate *per se* doesn't by it-

self add anything to the supply of money. In earlier times they took it for granted that a lower discount rate meant an increased money supply. Yet the device seems to retain its magical properties—because it is a forerunner of things to come—judging by the way the markets responded to the news.

The Federal Reserve's volte-face came as a surprise (1) because it appeared inconsistent with the most recent official statements reiterating the need for continued credit restraint in order to fight inflation and (2) because a half-point reduction in the discount rate was employed rather than the subtler device of open market operations. The suddenness of the action is not easy to understand. The explanation apparently lies in an "agonizing reappraisal" of the economic outlook and a desire to assist the Treasury through what might have been a difficult financing period.

The Federal Reserve's delay in moving toward an easier monetary policy was the fear of inflation and its belief in the necessity of ridding the businessman and the consumer of convictions about the inevitability of inflation. Indeed, even after the lowering of the Federal Reserve discount rate, Governor Robertson has stated that "the prime monetary question before the country is still whether the prevailing expectation of continuing inflation can be dissipated without some drastic proof of its long run impossibility." Until the Board is entirely satisfied that the inflation mentality has been broken, it is not likely that monetary policy will become actively easy. Chairman Martin and others have repeatedly insisted that they were not going to repeat their mistake of 1953-1954 of giving the economy an overdose of easy money. At the present time there is no evidence that the Board regards the current economic adjustment as anything but a moderate one. If so the rapidity with which interest rates change will be governed more by recessionary tendencies in the demand for credit than by anticipating actions of the Federal Reserve.

Trend of Savings Bank Deposits

One of the questions which I am expected to answer is what is happening to savings and, specifically, what will be the trend of mutual savings bank deposits?'

To give a concrete answer to the latter question I anticipate that mutual savings deposits will rise in 1958 by $1,600 million, compared with an estimated $1,700 million in 1957 and $1,851 million in 1956. The respective percentage increases would be 5.0% for 1958 compared to 5.8% for 1957 and 6.6% for 1956. The probability is that the rate of deposit growth will be slower than in recent years.

Historically, aggregate personal savings tend to decline absolutely and relative to income in periods of cyclical recession. In all recessions since 1929 personal savings, as defined by the Department of Commerce, fell absolutely and relative to disposable income. But the personal savings figures of the Department of Commerce do not tell us very much and quarter to quarter changes are very difficult to interpret. Bear in mind this aggregate covers not only persons but unincorporated businesses, including farmers. It includes not only personal savings accounts and various other types of liquid savings but also net investment in homes. Fluctuations in the net investment of unincorporated businesses in plant and equipment and in inventories affect the total as do changes in indebtedness. Thus a given net change in personal savings may reflect any one of a wide variety of developments.

Savings in the form of savings accounts exhibit much greater stability than other types of savings and may be expected to hold up well in short-lived recessions of moderate depth. Recessions on the scale of 1948-49 and 1953-54 had a relatively mild impact upon personal income and savings. In fact the combined investments of individuals in savings accounts, United States savings bonds and life insurance reserves, in absolute amount and relative to income, were actually larger in 1954 than in 1953. In the recession year 1949 the total was about equal to that of 1948 both in absolute amount and relative to disposable income.

In looking ahead into 1958 we face the prospect of further declines in manufacturing employment and in hours worked. Personal income could level out and even decline. There is the added hazard of strikes. A cut in personal income tax rates which was being anticipated a short while ago, now seems unlikely.

The postwar growth in savings deposits is characterized by three rather distinct phases. In phase 1, from 1946-51 growth was at an annual rate of 4%. In phase 2, inaugurated by the Korean war boom, deposit growth became more rapid averaging an annual rate of 8%, from 1952-55. In the third phase, beginning in 1956, the rate of growth has slowed up measurably and in 1957 will be only about 5¾%.

The currently slower rate of growth is attributable initially to competitive inroads by commercial banks as well as to a rise in investments by individuals in securities. There is some prospect of relief from competitive pressure in 1958 but at the same time, as I have indicated, the upward trend in personal income, the primary source of all savings, has halted at least temporarily.

An analysis of the flow of savings through mutual savings banks shows that deposit inflow, which had been steadily rising began to flatten out during 1956 before the major impact of commercial bank competition. In contrast, the amount of withdrawals has continued its upward trend. For the first ten months of 1957 new deposits in all mutual savings banks were only 1.3% higher than in the same period of 1956 while withdrawals were greater by 6.3%. It is noteworthy that dividend credits have been a very important statistical element in the net gain in deposit balances this year. It is hardly necessary to remind bankers that sustained deposit growth can not be achieved merely by crediting dividends; the dividends must generate an increased volume of new deposits, or curtail withdrawals, or produce some combination of both.

Although an increasing number of banks have experienced month to month deposit losses during the past year, the picture on the whole has some encouraging aspects.

Deposit gains in some areas have been substantial and compare favorably with gains of competing institutions. Time deposits of commercial banks in the 17 savings bank states in the year ended June 30 were relatively greater than the gain in mutual savings deposits, rising by 6% compared with 5.1% for the mutuals. However, savings banks had a greater percentage increase than commercial banks in 11 states. In three of the largest savings bank states, viz., Connecticut, Massachusetts and Pennsylvania, the gains of the mutuals were relatively greater than those of the commercials. The adverse experience in New York, where savings banks gained only 4.9% compared with 12.2% for the commercials, explains the relatively poor combined performance in all 17 states. Of course, New York has been the chief focus of competitive pressure from commercial banks.

To the extent that their savings accounts have come out of their own demand deposits, commercial banks have incurred interest costs but have acquired no income. In a period of easier money the cost of holding these deposits and those attracted from savings banks and other institutions, will lead some of them to reconsider the economics of savings banking and to curtail the vigorous promotion of savings accounts. Thus in 1958 savings banks may find that the competitive pressure from commercial banks will be less intense. However, in my opinion, over the longer run commercial banks will remain active in the savings field and it would take extremely easy money and a prolonged recession to cause any considerable number of them to withdraw from the field.

Summary

The country is faced in early 1958 with the prospect of a continued downturn in business activity induced primarily by cutbacks and stretchouts in business capital investment resulting from excess capacity. An expanded defense program and easier money will soften the impact of declining business capital investment. But there are no other important new forces now in view that will put the economy back on a rising trend. However, it should be borne in mind that the basic factors of economic growth, population and productivity, are potentially strong and will in due course bring about a resumption of our postwar economic progress and of the rise in our standard of living.

Savings bank deposit growth already has been impeded by competition and by a slower growth in income and by some unemployment. However, if the economic downturn proves to be short-lived, deposit growth should not be seriously impaired. Competitive pressures from commercial banks will lessen as interest rates fall.

Falling demand for business credit and an easier monetary policy will cause interest rates to decline. This will relieve the pressure on savings bank managements to raise dividend rates to depositors while rising bond prices will improve the market value of the surplus of savings banks.

At the same time, the quality of the mortgage portfolio will be tested by some rise in delinquencies. This is an appropriate time, therefore, to review mortgage portfolios for items that may need attention. Where a savings bank's liquidity is adequate, lengthening of the maturity of the bond account will add to income from investments. I regard 1958 as a year in which most savings banks should be able to add appreciably to their surplus and reserves.

Alex. Brown & Sons To Admit to Firm

BALTIMORE, Md. — Alex. Brown & Sons, members of the New York Stock Exchange, on Jan 1 will admit Norman Farquhar to general partnership and Hamilton Robinson to limited partnership in their firm. Mr. Farquhar will make his headquarters in the firm's Washington office.

Bell & Beckwith to Admit E. P. Wolfram

TOLEDO, Ohio—On Jan. 1 Edward P. Wolfram, Sr. will be admitted to partnership in Bell & Beckwith, 234 Erie Street, members of the New York Stock Exchange

Chicago Analysts to Hear

CHICAGO Ill. — On Thusday Dec. 19 the Investment Analysts Society of Chicago will hold its annual forecast forum and Christmas reception at the Midland hotel.

Speakers at the Forum (in the Adams Room) will be Beryl W. Sprinkel, Harris Trust & Savings Bank; Theo. R. Goldsmith; and Walter K. Gutman, Goodbody & Co. The Christmas reception will follow the forum in the Grand Ballroom. Program is free to members; fee for guests $2.50.

Branch Cabell Co. To Admit E. G. Crist

HARRISONBURG, Va. — On Jan. 1, Edwin G. Crist II will be admitted to partnership in Branch, Cabell & Co., members of the New York Stock Exchange. Mr. Crist is manager of the firm's Harrisonburg office, 91 East Elizabeth Street.

Arthur O. Garrett Opens

(Special to THE FINANCIAL CHRONICLE)

ALHAMBRA, Calif.—Arthur O. Garrett is engaging in a securities business from offices at 36 West Bay Street.

J. C. Bradford to Admit

NASHVILLE, Tenn. — J. C. Bradford & Co., 418 Union Street, members of the New York Stock Exchange, on Jan. 1 will admit James C. Bradford, Jr. and Eleanor A. Bradford to limited partnership.

IBA PAST PRESIDENTS

1934

G. W. Bevenizer

1931-32

Allan M. Pope

1930-31

Henry T. Ferriss

1929-30

Trowbridge Callaway

1926-27

Pliny Jewell

1925-26

Ray Morris

C. M. Loeb to Admit

Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit John L. Loeb, Jr. to limited partnership.

Glore, Forgan Partners

Glore, Forgan & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Dan P. Caulkins and William H. Jackson to limited partnership.

Continued from first page

As We See It

subject to all the cross currents of pressure from protectionists and advocates of freer trade. The Trade Agreements Act officially had the objective of making life easier for exporters in this country by enabling foreigners to sell more goods here—and in this way assisting in banishing the depression which hung so heavy over our heads in the year 1934.

Protection of American Industry Promised

Naturally, there were those even then who wished to be told how all this was to be done without injury to domestic industries, some of which had come into existence or been operating with the protection of high tariff rates. The answer was not clear at the time — and is not now — but three Presidents in succession gave emphatic assurance that it could be done and would be done. No American industry was to be sacrificed, or permitted to suffer serious harm or even be threatened with serious harm by any tariff rates or other trade terms to be negotiated under the Act of 1934 as amended from time to time. If one took such assurances at face value, one would be obliged to conclude that the only imports to be permitted to increase very greatly would be those of a relatively few products not made in this country or found in this country at all.

The Protection Mechanism

Mechanisms for the protection of American industries were provided and strengthened from time to time as protectionist sentiment grew stronger and as the influence of protectionists in Congress waxed. One of these was the so-called "peril point" provision by which the President and his negotiators were to be informed in advance of the degree in which tariffs might be reduced or other restrictions removed without danger of serious injury to the industries whose products were to be subjects of negotiations.

Another was the so-called "escape clause" under which any industry believing itself injured or in danger of serious injury by any concessions granted could appeal to the United States Tariff Commission to have the facts determined—after which the President could, and at least the protectionists thought, would act to relieve the petitioning industry.

Effectiveness of "Peril Point" Doctrine

Almost no information is available about the workings of the "peril point" arrangement. What effect it has had if any upon the ultimate outcome of negotiations with the various nations is a matter of conjecture. The "escape clause" has given relief to a very few industries, and then quite often relief regarded as inadequate by the complaining industry. The Tariff Commission, like Congress, and for that matter any other semi-judicial body, is manned by human beings with various backgrounds and preconceived ideas. The shifting of personnel through the years seems to have had some effect upon the Commission's willingness to find for petitioners, but the fact is that the Commission generally speaking has not been easy to convince that this, that or the other industry was due relief under the terms of the law. And only a small proportion of the favorable findings of the Commission have been followed by Presidential action of the sort petitioners desired.

Growing Optimism to Existing Law

The fact of the matter is in any event that the larger industries have not made it a practice of going to the Commission. The "escape clause" procedure soon won the reputation of being costly, time-consuming and for the most part not rewarding. There were often other avenues of escape, such as defense requirements, stock piling purchases, and other ways of getting at least some of what was wanted. But by and large the protectionists and influential elements in American industry feel deeply dissatisfied with present arrangements. They believe, or many of them do, that they are left largely helpless in the hands of officials with definite free trade leanings. Hence, a strong, perhaps growing opposition, to any further extension of the existing statute or one like it.

National Policy Obscure

The trouble with all this is, of course, that we as a nation, and Congress as the law making body of the nation, have never been able to make up our minds whether we really want to encourage a larger volume of free international trade or not. Of course, it is absurd to suppose that much could be done in this direction without stepping on the toes of some producers or would-be producers in this country. We have large industries which have built themselves up behind tariff walls. Some of them, perhaps most of them, could survive with considerably less protection. It might well require very considerable and possibly quite expensive adjustments, however. A number of smaller industries would doubtless find the going hard. Theoretically all the resources, labor and other, thus brought into disuse could find other and probably better uses, but this is a doctrine not popular with those whose ox is being gored.

Congress' Dilemma

This is the dilemma by which Congress has always been faced when it began to make or remake tariff schedules. It is a situation made to order for the development of lobbies and the pulling of all sorts of wires. The net result has usually been in recent times, in any event, that little or nothing could be done directly by Congress about excessive protectionism. It was this mess that Congress at the behest of the New Deal ran away from in 1934, and it is this mess that it has tried time and time again to run away from as the 1934 Act came up for renewal. What it will do this time, the future will have to disclose. The trend of the legislation since 1934 has been to tighten more and more the provisions which were designed to limit the reduction in our trade restrictions.

Meanwhile, conditions such as persistently unsettled world conditions and the development of labor monopoly at home have reduced the ranks of free traders while price changes have done as much to reduce the burden of tariff rates as have legislators or administrative officials. About the only certainty is that we shall continue to have our tariff problem with us regardless of what is done this year.

Continued from page 3

The Outlook for the 1958 Market

argue against building the strongest possible America, militarily, economically and scientifically. How does a depression fit into this idea?

Recession Discounted Marketwise

In its precipitous fall of 100 points since July, the stock market has discounted a recession in business and a decline in corporate profits in 1958. Stocks have declined from 14 to 11 times current earnings. The normal course, tried and true over the years, would be for the market to bounce around, like the little ball on the roulette table, subject to recurrent fits of optimism and pessimism, until it becomes clear whether the recession would deepen into a depression. Time alone only could tell that—and according to classic lines, the future course of the market would only be decided by the course of business itself. The recession might feed upon itself, curtailment in capital expenditures might bring about reduced payrolls which in turn would cause reduced sales which would still further reduce payrolls, etc. That is the classic merry-go-round of recession. And if all industries went down together, aided and abetted by previous financial abuses and resultant financial weakness, the economy would sink from recession into depression. In my view, world events make such developments highly unlikely today.

I realize there are those who say that missile development calls for qualitative rather than quantitative spending—that not much additional money need or could be spent effectively. The problem is not that simple. If we are in mortal peril, it is not just an accelerated missile program that the nation will demand. We shall demand a military establishment second to none, prepared not only for missile but for all types of warfare. We shall need to sustain old allies through loans and economic aid. We shall need to make new ones through similar methods. It seems far better to give our allies and potential allies the capital goods, the turbines, the machinery, the tools, whatever seems necessary now to bolster and improve their economies rather than to have to ship arms to them later in the event of open conflict with the Soviet Union. These programs will stimulate our capital goods industries.

It cannot be denied that the death of the bull market has been a blow to confidence. Confidence will not be regained overnight. In normal times such a rebirth of confidence would require a long time indeed. But these are not normal times. True, as at the peaks of other booms, we have had vast commercial office building, skyscrapers, new country clubs and churches which traditionally seem to rise at the end of a great economic upsurge. But in other times we have not had the emergence of a great threat to our national existence which must galvanize us into economic activity as a matter of national survival.

So the emergence of Sputnik—and I might also add the non-emergence of Vanguard — will probably keep us from testing fully the most significant legislation of our postwar era, the Full Employment Act of 1946. I am among those who believe Government has become so important in our lives that we shall be able to and will avoid major economic catastrophes in the future. The Full Employment Act will be our secondary line of defense against a depression in 1958. Already the Federal Reserve has given a sign that it is familiar with this Act. Sputnik and Soviet Russia will be our first line. Therefore, I take as a fundamental premise that we shall not have a depression. I am inclined to agree with those business economists and students of the business cycle, more learned than myself, that the present recession will be held to moderate limits, say within 5% of the present.

Market No One-Way Street

The stock market already reflects this thinking. It will not be a one-way street in 1958—anymore than it has been in 1957. There may well be days of abject optimism and pessimism. But in 1958 I believe the days of optimism, the up days, will outnumber the days of pessimism. Just as investors in 1957 strove to discount a recession or depression, so will investors in 1958 strive to discount the coming turnabout and rise in business—and possible inflation. The odds will favor the buyer in 1958 just as, riding at the top of the boom and at certain high levels of the market, the odds favored the seller in 1957. Not only will the investor begin to discount the coming rise in business due to revival of capital goods industries and renewed consumer spending, but certainly there will be more inflation talk spurred on by the foreign situation and labor's wage demands in 1958.

There used to be a powerful incentive to abandon common stocks at certain stages of the cycle—the knowledge that cash would sooner or later become valuable or increase in value. No longer is this the case, with our wage push inflation. Furthermore, bond prices are now rising—the yield spread between bonds and stocks is again favoring the latter. There is no certainty that cash will be worth more; in fact, cash will probably become worth less. Therefore, the dangers of holding cash have increased, as investors during the past quarter century have often learned to their sorrow. It is a nice trick to step from high grade common stocks into cash and then back again — but one must be nimble indeed—and few can do it successfully.

Market's "Good Cry"

I believe the stock market is like a woman; it can be very emotional at times. I furthermore believe the stock market every so often likes to have a "good cry." It feels better afterwards. And I believe the devastating, emotional markets of the fall of 1957 represent the same kind of "good cry" that the market had in 1946 and 1937. Both of those bear markets, you will recall, were short-lived in their intensity. Within a few months they were all over, they had done their worst to values. The building up time was longer because there was no great foreign menace. The recession in business in those years did not carry through into a depression. In 1946 it took three years for the market to start up in earnest even though business actually improved during those years. Investors, hypnotized by the past, simply could not be persuaded that a war boom did not have to be followed by a depression. The 1946 decline turned out to be a false move. Similarly in 1937 the stock market viewed the previous business recovery as unsound. Yet this decline in the market was also a false move and values gradually recovered during the next year. It is important to realize that approximately 90% of the decline in both 1937 and 1946 occurred on the initial break in stocks, climaxed on Oct. 22 of this year when 5 million shares changed hands.

The normal expectation would be for the stock market recovery in 1958 to take place with varying degrees of selectivity. The emphasis will be upon groups and industries that first begin to show increasing earning power or those which have become unduly depressed due to being out of fashion. The so-called defensive stocks, foods, tobaccos, public utilities, etc., will begin to lose favor as the economic skies clear. Because they have declined less than other groups, they will be subjected to selling pressure in order to raise funds to buy the more depressed groups which will enjoy the largest increases in earnings, as for example in the capital goods section.

Growth stocks will regain favor, particularly at these lower price levels — IBM, Minnesota Mining, Minneapolis Honeywell, Corning Glass, Dow Chemical. Perhaps 50 times earnings was too high a price to pay for IBM—but the stock has declined 20-25% in the meantime and it is difficult to "laugh off" annual increases in business of 25% or more, dynamic growth which is translated into earning power and dividends at later dates. When the future does not appear bright, one pays little to discount it in advance. The closer we move toward the 1960's, with their enormous population increases and sharply rising family formations, the more will investors again be willing to pay to discount this glamorous future. Unless America is willing to accept a lower per capita standard of living, which I very much doubt, this rise in population and in family formation will mean a greater volume of business and a greater volume of profits. How can it be otherwise with our population increasing 30 million over the next decade? It is far easier to sustain or improve profit margins on a growing volume of business. That is the future expectation—and unless the economists and business soothsayers are all wrong, America will be a far richer country in 1968 than next year. Perhaps we discounted the sensational '60's too far ahead in 1956-57 but time does march on. The '60's will be here sooner than we think. This realization plus the slow but steadily creeping inflation will cause common stocks and in particular the growth stocks to become more valuable in 1958.

Insurance Stocks to Revive

Among the industries whose shares should revive in 1958 I place at a high level the insurance stocks. For three and a quarter years the fire and casualty stocks, in which I do claim to have some special knowledge, have suffered a bear market of great magnitude. From the earnings standpoint they have suffered the three worst years in their entire history and for many companies 1957 will be the worst of all. Many fire and casualty stocks are actually cheaper today, relative to their fundamental values such as investment income and net worth per share, than at any time since 1932. The underwriting situation has become so bad that it is a question of survival for some of the smaller companies — and at this point conditions have always improved drastically in the past. Corrective measures are being taken both in fire and casualty and it is anticipated that these will bring about a revival in underwriting profits. Yields as high as 5½ and 6% can be obtained on good grade fire and casualty stocks, many of which sold 75-80% higher as long ago as 1954. There are many good opportunities here.

Growth of Life Companies

The life insurance stocks qualify as growth stocks. Yet the life stocks have been in a minor bear market for the past two and a quarter years. Meanwhile, 1957 will be the best year in their entire history and 1958 looks even better. Life insurance sales are up 25% from a year ago, interest earnings are at an all-time high and mortality continues its slow but steady improvement. Many life companies are able to double their capital and surplus every five or six years and this is reflected in steadily higher prices. Life insurance stocks such as Connecticut General, Lincoln National, Travelers, Aetna Life and the more dynamic growth issues such as Franklin, Continental Assurance, U. S. Life, Republic National Life appear to be in a particularly favorable situation now.

One cannot be an expert on all industries, as I said at the beginning. But after its rolling readjustment of the past several years I would be surprised if the automobile business did not do better pretty soon. General Motors should be good value once again. The chemical companies have already tasted a recession in volume and business profits and they should begin to respond once more to their long time growth trends. The oil companies have already experienced a diminution of demand and they are getting their house in order. Can one go very wrong with Standard Oil of New Jersey at these levels, down in price some 33% from its high?

This is a time when one should not lose sight of the long view because of temporarily upsetting short-term news, such as layoffs, declines in profits, disquieting statements. The big broad view of America's future, the microcosm, says to me that 1958 will be a good year to accumulate stocks carefully. We may not go through the old 1956-57 highs next year but this should happen in time. In fact, it would not be unreasonable to expect a testing of the old lows. If this happens to coincide with unexpected or disheartening developments abroad, these lows might be broken.

Basically, however, I believe investors are now in the position of the woman shopper who goes from one store to another on 34th Street simply in the hope that she can "buy it cheaper." Naturally investors also want to "buy them cheaper." For that reason markets will probably be subjected to emotional ups and downs, particularly in early 1958. But the longer trend during the year seems up. Investors who stay out of stocks too long do so at their own peril. 1958 could be like 1953, a year of consolidation, with up-thrusts in heavily sold and depressed industries as their earning power revives. It will probably be a year of laying the groundwork for a resumption of the bull market advance and new highs by 1959.

Schwabacher & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Richard H. Thornburgh has been added to the staff of Schwabacher & Co., 100 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges. He was formerly with Dean Witter & Co.

Continued from first page

U. S. Economic Stability Key To Free World Security

to be an alarmist, but I know you want me to state my convictions with respect to the conditions confronting us. We are now actually engaged in the most colossal struggle in world history. I do not use this language extravagantly.

Facing the facts, we realize the people of the United States are in a deadly and unrelenting conflict with the Russian Goliath. The struggle is not one of probability. We are in it now, and have been since World War II. But, in recent weeks the situation has worsened.

We are in a truly earth shaking battle of the giants. And we are attacked on many fronts—military supremacy, economic advantage, fiscal stability, and ideological, if not human, survival.

We can not have military supremacy, our form of free government, or our way of life, without fiscal and economic stability. In our system, freedom, democracy and competitive enterprise are the sources of our strength. Defeat on any of these battlegrounds would be disastrous.

In its totalitarian system, Russia's strength lies in armed force behind a dictator's decree.

At the moment it is conceded that we do not have superiority in the fields of ballistic missiles and satellites. This must be regained. A world leader can never afford to be second best. Our prestige must be regained in a manner assuring survival of our system and ourselves and the free people of the world.

A week ago the Senate Armed Services Preparedness Subcommittee completed its first series of hearings on our military deficiencies. Under the able leadership of Senator Lyndon Johnson, the hearings were nonpolitical, constructive and objective.

The Committee has already developed startling and shocking facts. But by this purpose we are taking legislative steps to point the way to things which must be done to provide the best security possible in this troubled world.

General James A. Doolittle, one of our most respected military authorities, was among the witnesses before the Armed Services Committee. He testified that Russia surpasses this country in tremendously important elements of warfare, notably in the field of rockets, missiles and satellites. He said Russia is working longer hours than we are for military supremacy.

General Doolittle predicted the cold war might last 100 years. He urged us to prepare ourselves accordingly.

As I listened to the hard facts of General Doolittle's testimony, which were fortified by other witnesses in open and closed sessions of the Committee, I attempted to evaluate conditions in Russia and those in the United States, and then compare them.

The alternatives to real war are now disarmament or cold war. Disarmament based on sound guarantees of our security does not seem likely at the moment, as much as it is desired. Assuming a continuing cold war here are some of the fundamental differences in our starting points:

Russia is a totalitarian country. The state controls all economic, business and social activities. It commands the behavior of its people in their daily lives. It arbitrarily fixes their wages. Their standard of living, at this time appears to be of little concern. As between domestic-civilian niceties and militaristic development, there is no question. Trade is no great problem. It exploits its satellite nations and allies. Government deficits are of no important consequence. Russian currency is valuable only within the country or the nations under her domination. It is manipulated by the rulers in the Kremlin.

In the United States we have democracy. We have a competitive enterprise system offering the opportunity to start at the bottom and rise to the top, if we possess the ability and the energy to do so. We have individual freedoms never so much enjoyed in all history. We have business incentive with the right to earn and retain our earnings less taxes. We have the highest living standards ever known to man. We give economic aid to our allies and, at the same time, carry the burden of their defense. We are obligated to the free world to maintain the integrity of the American dollar. If confidence in our money is impaired, our international trade will be destroyed, and the chain of economic strength in the free world will be broken beyond repair. We must have outside markets for our production.

In short, these are some of the differences between a totalitarian country and a free nation. The Russians dispose of domestic-civilian problems by decree, even to the point of extinction, if necessary. Freedom is the source of our strength. In a cold war, under a barrage of propaganda, Russia has a great advantage, as the launching of sputniks proved.

In the present situation, we may be sure the Russian leaders will try to wring every possible diplomatic concession, and more, from us and our allies. The propaganda advantage of the sputniks will not be the least of their weapons.

If the missile crisis forces us to spend more in one direction, we must find ways to spend less in other directions. The communist view that we can be made to destroy ourselves fiscally and economically stands more clearly before us than ever before. We must not and shall not allow ourselves to be enslaved by our own extravagances.

We must recognize that we have two fronts to maintain—one military, and the other economic. We must be superior in both.

We can not afford nonessentials in military programs, nonessentials in foreign aid, or nonessentials in government civilian activities.

It is certain that our military expenditures will be increased in rocketry and ballistic missile fields. How shall we meet the requirement? Shall we resort again to deficit financing, with increased debt, and set off another siege of volatile inflation? Shall we increase taxes? Or, shall we wipe out the nonessential and obsolete activities in the military and all down the line of government spending?

For "sound economy in government," I say, there can be no security in the free world without fiscal stability in the United States.

If soundly directed, I believe we can regain unchallenged military supremacy, including superiority in ballistic missiles, rockets, satellites, etc., within the limits of the country's economy.

But we can not forget that our dollars are worth 49 cents by the 1939 index; we have had record deficit financing for a quarter of a century; our federal debt is near its peak; and taxes are near their all time high.

Deficit financing during the past 25 years has increased the federal debt by $250 billion to a total of $275 billion and, paralleling this course, the cost of living has doubled.

The interest on our $275 billion debt is costing us nearly $8 billion a year. This is 11% of the total federal revenue. The debt is largely in short term securities and as they are refinanced the cost increases. If the current rates were applied to the whole debt, interest would total $11 billion, or more than 15% of federal revenue.

Certainly, neither our total governmental expenditures nor our total taxes can be further increased without weakening our economy in inflation, and by dangerously stimulating deterrents to increased national production.

It will be of interest to look at the total tax take from the American people each year.

Total Tax Picture

The Federal government collects $70.6 billion in taxes for general revenue purposes. In addition $12.1 billion is collected for Social Security, highways and unemployment programs. Tax collections by States total $15 billion, and local taxation takes another $15 billion. The grand total of taxes paid annually out of the earnings of people is the astronomical figure of $112.7 billion. This is exclusive of more than $13 billion in revenue collected from non-tax sources — federal, state and local.

As Chairman of the Senate Finance Committee, I have thought for some time that a tax burden of this magnitude long continued has dangerous potentialities for our future economic welfare. We all know that taxes are more easily paid in times of prosperity than in times of recession, even though the recession may be a minor one.

An increase in federal taxation would result in serious repercussions. The Joint Committee on Internal Revenue Taxation, of which I will be Chairman in January, has an excellent staff of tax experts, headed by Mr. Colin Stam who is one of the outstanding tax men in the country. Mr. Stam, after careful and continuing analysis of tax returns, reports to me that he would not know where to raise even $1 billion additional in any bracket or area without grave consequences.

I have just recived from Mr. Stam his latest revenue estimate for the current fiscal year. It indicates that for the first half of 1957 the tax revenue was on a level about equal to that of the full year 1956. But third quarter profits are less, and so will be those for the fourth quarter.

Mr. Stam estimates that federal tax revenue will be $1.3 billion less than the estimate published by the Bureau of the Budget in its October Mid-year Review.

This will mean that the estimated surplus of $1.5 billion will be reduced to $200 million, assuming expenditures are not increased.

An increase in total expenditures will certainly result in a deficit for the year ending next June 30.

Former Secretary of the Treasury Humphrey testified before the Senate Finance Committee last July that even a minor recession in our prosperity — even to the high level of 1955—would result in a $12 billion deficit at the rate of federal spending he anticipated at that time. This shows the thin ice on which we are skating.

These are the reasons why it is so essential for us to retrench in all nonessential domestic-civilian and foreign activities, and review military weapons, techniques and practices for elimination of the obsolete and reduction in the obsolescent. I was encouraged by the President's recent statement to the effect that he was insisting upon this very kind of review in the military, as a means of offsetting necessary expenditures in the missile programs.

I do not advocate tax reduction at the expense of a balanced budget. I do not say it is wise to cut taxes at the expense of increased expenditures in vital ballistic missile procurement for defense. I firmly believe a sound tax reduction would be a stimulant to business improvement. While I can not say I am optimistic under present conditions, stern enough reductions in federal expenditures could produce justification for tax reduction consideration.

The fact is that nonessential federal expenditures require nonessential federal taxation.

I am not at this time recommending any specific reduction in rates or any particular tax reduction program. But as a matter of information, I can give you some samples of what tax reductions cost in terms of reduced revenue, and therefore in terms of reduced expenditures:

It would cost $2.8 billion to increase personal income tax exemptions $100, from $600 to $700.

It would cost another $1 billion to give relief from the more burdensome federal excise taxes.

It would cost another $1 billion to give relief to the heavily burdened middle income bracket group.

It would cost $225 million to reduce high income bracket rates to 65%.

It would cost almost another $1 billion to give a 2% reduction in corporate taxes.

As you can see from these samples, it would cost, in terms of reduced revenue, $6 billion or more to give a moderate general overall tax reduction which is so badly needed in this country. And this does not count relief in so-called hardship areas, such as small business. And neither does it provide for any reduction in the terrible federal debt.

An organization like National Association of Manufacturers, which analyzes federal expenditures, knows they can and should be cut. It knows that constructive reduction can and should be made.

The National Association of Manufacturers did a tremendous job last year as a part of the grass roots demand for a reduction in appropriations. The appropriation reductions were unprecedented. Unfortunately the Administration did not reduce expenditures in the same proportion.

I urge continuation of this intelligent and effective campaign. We must not be discouraged. We have made an important stride toward economy when people back home demand that expenditures be reduced.

An economical Federal Government is now much more important than ever before in history. There must be more economy in all areas — military, foreign aid, and domestic-civilian.

Since 1954 we have increased domestic-civilian expenditures 50%, from $19 billion to $29 billion.

I have been in the Senate 25 years. In 1934 there were 23 programs through which the Federal Government made grants to states and payments to individuals, and the expenditures through these

programs totaled $1.8 billion. In 1956 these programs, still including roads, numbered 76 and the cost was more than $5 billion.

It was fortunate that Congress, last session, defeated the proposal to grant federal aid for public school construction. It would have opened wide a new pandora box for spending that should be financed by state and local governments.

There are more than 500 expenditure accounts in the federal budget for strictly domestic programs and activities. I know reductions can and should be made in every one of them.

I like and applaud the action recently taken by the Governor of Connecticut, who announced he would reduce all Connecticut State expenditures by 10%, except fixed charges.

Since World War II we have spent approximately $40 billion in foreign economic aid and $20 billion in military aid to foreign governments. The situation confronting us is just as serious for the nations that are participating in these programs, as it is for us. They, too, must make some sacrifice.

When we talk about expenditures for stockpile and defense production, we all know how these programs have been exploited.

In the four years since the Korean War ended in the summer of 1953, we have spent nearly $11 billion in these programs. We should look more searchingly at the need for some of the materials we are buying in this program.

In all of the recent inquiry into the activities of the military departments, no responsible official of the Government has contended that sufficient funds have not been made available by Congress.

Actually there is probably more waste in the military agencies than in any other area of the Federal Government. The military, itself, must understand that we can no longer tolerate federal extravagance as usual.

You have only to read the "U. S. News and World Report," one of the nation's most reputable magazines, to be reminded of what I mean. It found a Pentagon chart showing 90 listings of operating units, officials, boards and committees in "the chain of authority in the missiles field."

Under such conditions, no wonder we are lagging behind in this range of vital defense.

I am not one who, as the President said in Oklahoma, would "sacrifice security worshipping a balanced budget." My long record supporting funds for necessary and efficient defense speaks for itself.

Of course I have always supported a balanced budget short of war, just as the President did in his campaigns of 1952 and 1956. I do not worship a balanced budget at the expense of any essential military program, but I am preaching a budget balanced by elimination of nonessential expenditures.

The White House and the Budget Bureau at the moment are struggling with next year's Federal budget to be presented by the President in January. They need all the assistance one can give in an effort to get expenditures under control.

With unexpended balances in old appropriations still totaling approximately $70 billion, limiting nonessential expenditures in order that we may finance the necessities within the statutory debt ceiling is an extremely difficult task.

The Congress could make a great contribution in this effort if it would write a limitation on expenditures from both old and new money into every item in the appropriation bills enacted in the coming year.

This is one of the principal provisions in the so-called single appropriation bill which I have been advocating 10 years and which has already been passed by the Senate three times; but not by the House.

Deficit financing and increased taxes, short of war, should be used only as a means of last resort, even for funding necessary military expenditures. But admittedly this requires wise planning, and efficient and alert performance in the armed services and foreign aid, plus limitation of domestic - civilian expenditures to necessary amounts in proper and essential areas.

In my judgment this requires a soul-searching inventory of our strength and weakness; an honest appraisal of what is essential and what is nonessential; and perhaps a whole new pattern of policy—and this should not be limited to research, development and production of missiles.

I am not indulging in partisan, political discussion here. I am not talking in terms of some political overturn in some future election. I am talking in terms of what we need now—with tools at hand.

We need immediately to put first things first.

We need quick recovery of acknowledged superiority in development of new weapons, and unquestioned efficiency in our military establishments — on the part of both those in uniform and civilians. And we need quick recovery of our prestige among our allies and the position of strength required as a deterrent to war.

We need to fortify our fiscal solvency which is the life blood of the free world. And we need to stabilize our economy upon which our production capacity depends.

In the Senate Finance Committee, which considers legislation on taxes and tariff, customs and veterans, and public assistance and social security, renewal of the Reciprocal Trade Agreements Act will be one of the most controversial proposals before us.

This legislation probably will be accompanied by the equally controversial proposals for the General Agreement on Tariffs and Trade, and the Organization for Trade Cooperation.

In conclusion, preliminary to broader action, to meet the situation before us we need immediately:

(1) To rechart our defense expenditures on the basis of a re-evaluation of the relative priority of present and developing methods of warfare;

(2) Without imparing our defense, to eliminate obsolete weapons, methods, and techniques, and wasteful practices which exist in many Defense Department activities;

(3) To eliminate extravagance in foreign aid, and put more emphasis on military assistance, while reducing economic aid; and

(4) to squeeze every nonessential dollar out of domestic-civilian programs.

Our military danger is great, no doubt; but further to imperil our national security, by impairment of our fiscal stability and loss of confidence in our government, would be overwhelming.

Capital Cities TV Stock Offer Completed

The recent public offering of 52,000 shares of capital stock (par $1) of Capital Cities Television Corp. at $5.75 per share, through Harold C. Shore & Co. of New York City, and First Securities Corp. of Durham, N. C., has been fully subscribed, according to an announcement on Dec. 16.

The company is in the business of television and radio broadcasting. It operates a telecasting business and radio broadcasting business in the Albany-Troy-Schenectady area of New York State (also serving Western Massachusetts) and, through its wholly-owned subsidiary, Durham Broadcasting Enterprises, Inc., a telecasting business in the Durham-Raleigh area of North Carolina.

Giving effect to this financing, there will be outstanding 1,101,988 shares of capital stock out of an authorized issue of 2,000,000 shares.

The net proceeds from the sale of the new shares will be used to retire a loan of $220,000 (plus interest) made to the company by the Bankers Trust Co., New York and for general corporate purposes.

J. N. Black With Vercoe

(Special to The Financial Chronicle)

COLUMBUS, Ohio — J. Nelson Black has become associated with Vercoe & Company, Huntington Bank Building, members of the New York Stock Exchange. Mr. Black was formerly with Prescott & Co. In the past he was in the investment business in New York.

Stone, Moore & Co. Adds

(Special to The Financial Chronicle)

DENVER, Colo. — Richard A. Hackstaff has been added to the staff of Stone, Moore & Company, 817 Seventeenth Street. He was formerly with Amos C. Sudler & Co.

IBA PAST PRESIDENTS

1920 - 21

Roy C. Osgood

1915 - 17

Lewis B. Franklin

FIC Banks Place Debs.

Federal Intermediate Credit Banks yesterday (Dec. 18) offered a new issue of approximately $107,000,000 of 3.65% nine-month debentures dated Jan. 2, 1958, maturing Oct. 1, 1958. The debentures are priced at par. It was also announced that of outstanding maturities $3,000,000 of 4¼% debentures maturing April 1, 1958 and $6,000,000 of 4.20% debentures maturing May 1, 1958 were sold and privately placed.

Proceeds from the financing will be used to refund $122,000,000 of 3.80% debentures maturing Jan. 2, 1958.

The new issue is being offered through John T. Knox, fiscal agent, and a nationwide selling group of recognized dealers in securities.

Carr Adds to Staff

(Special to The Financial Chronicle)

DETROIT, Mich. — John J. Horvath Jr. has been added to the staff of Carr & Company, Penobscot Building, members of the Detroit Stock Exchange.

With Fahnestock & Co.

(Special to The Financial Chronicle)

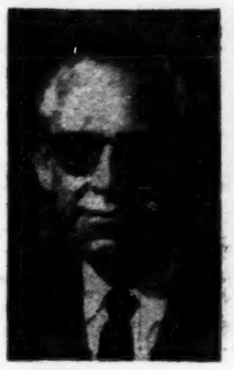
GRAND RAPIDS, Mich.—James B. Allen is now affiliated with Fahnestock & Co., Peoples National Bank Building.

Joins Stowers & Co.

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Richard J. Witherspoon is now connected with Stowers & Company, 312 West 56 Terrace.

IBA GROUP CHAIRMEN

CALIFORNIA	ROCKY MOUNTAIN	PACIFIC NORTHWEST
		
Curtis H. Bingham *Bingham, Walter & Hurry, Inc., Los Angeles*	**Ray L. Robinson** *Garrett Bromfield & Co., Denver*	**Roy S. Shea** *Murphey Favre, Inc., Spokane*

Joins Daniel Reeves

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Kenneth M. Spitzer has joined the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Exchanges.

With A. G. Edwards Sons

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Jean P. Earls has joined the staff of A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Joins Irving Lundborg

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—William Wehrmeister, Jr. has joined the staff of Irving Lundborg & Co., 310 Sansome Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Wehrmeister was formerly with Hooker & Fay and Francis I. du Pont & Co.

Smith, Clanton & Co. Adds

(Special to The Financial Chronicle)

GREENSBORO, N. C.—William B. Nugent has been added to the staff of Smith, Clanton & Company, Southeastern Building.

Continued from page 5

Observations . . .

your rights and interests in the community is to a great extent vouchsafed in a few stockholder groups and organizations, such as the Investors League and the United Stockholders of America. In his company affairs, the stockholder's interests are promoted by a few colorful individuals dramatizing their activities at the annual meeting or in proxy fights. While the individuals involved in proxy contests are sometimes castigated as "raiders" in some cases they are actually sorely needed rescuers instead of raiders.

Organizational Difficulties

There are several major obstacles in the way of adequate shareholder protective organization. Shareholder committees and groups entail severe public relations problems, as being suspect, which have never been wholly solved. Moreover, persistent stockholder apathy hinders organization support, which could be effective in exerting pressure on legislators. Usually an individual is only a shareholder parttime, this being sublimated to his profession or business; in contrast to other effective communal pressure groups.

But even under these handicaps, more could be done for the legitimate protection of the stockholder's interests by existing business organizations, as the National Association of Manufacturers and the U. S. and State Chambers of Commerce; by brokerage firms; and by the investment companies in the case of abusive situations. If mutual fund management refrains from voting its stock in a controversial situation, it is in a way disfranchising its own shareholders.

Protection Continues Haphazard

In any event, the stockholder's protection meanwhile remains haphazard. With public attention largely concentrated on secondary matters, as salaries and individual instances of abuse, the two overriding company questions are not met, namely:—Is the management capable and worthy of confidence? And, is the management consistently treating the stockholders fairly?

In any event, the stockholder must, either on his own, or with reliable aid, exercise continuing judgment on the main items of issue between his company and himself as owner. Issues aggravated by the separation of ownership from management, which basic situation I've just mentioned, would include compensation, dividend policy and stock options, and independence of the directors from domination by the managers. Too often the management executives dominate the board which is presumed to represent the interest of the stockholder rather than that of the management. One of the great difficulties in getting a fair solution or a fair opinion lies in the question of dividend policy. Requiring basic determination, regarding which there is no inflexible rule, is the balancing of the long-term interest of the corporation, including its financial strength, on the one hand; against the immediate short-term benefits to the stockholder. Here it is difficult for either the management or the shareholder to be completely objective. At least guarded against should be the dividend policy abuse arising from personal tax considerations of the directors or other insiders, or in suiting dividend policy consciously to manipulate market price either down or up.

Another "Hot Potato"

Another "hot potato" is the stock option to management concerning which there is much current discussion, both during and outside the annual meeting. Here again, the aim should be objectivity on both sides with the shareholder being fair about the matter, and above all guarding himself against jealousy over liberal treatment in this matter. Not to say, of course, that there are not many abuses available and actual in stock options. A principle I would like to give you is that remuneration seems to be more constructive via regular distribution of a direct interest in stock itself along with cash salary, instead of the stock option. This gives the executive a forceful and continuing incentive to work for his company and very effectively making his interests in stock coincide with those of the body of shareholders. By actually owning stock it is *guaranteed* that his motivations will not conflict with those of the public stockholder.

Director Reform

There are several ways of constructively improving the director system. Cumulative voting should be universalized. And the composition of the board might include these three categories of directors: (1) managers who are experienced in the business; (2) owners who are stockholders in substantial amounts; and (3) intelligent businessmen, accustomed to directing the affairs of others and appraising their results, who would serve to protect the interests of the non-director stockholders. Whether this latter category of outside director is paid or not is not vital. But if remuneration is given, the vehicle of the company's stock is constructive here too.

Above all, the stockholder must put the "bee," as far as he can, on directors and management to have them fulfill the obligations of trusteeship.

Your Proxy Responsibility

Do you use your direct voice in your company? Do you, the stockholder, use your opportunity to vote through the instrument of the proxy? Exercising your vote through the proxy is the one way in which you can help to exert a continuing check and participation in the affairs of your company.

Every company must hold an annual meeting, although there is no legal requirement necessitating the solicitation of proxies for it. SEC supervision of proxy solicitation, pending the possible passage of the Fulbright Bill, is limited to companies which are exchange-listed. To all intents and purposes with the great majority of companies in which you own stock, you will receive a solicitation for a proxy, that is for your vote. In addition to the usual questions which management put up for you to vote on such as reelection of directors, election of auditors, etc., the right is provided for any independent shareholder to make proposals of his own. This may be done via an explanatory statement of 100 words. To my way of thinking this right of an independent shareholder to submit a proposal to the meeting, is an extremely important matter, particularly in the event of liberalization of the present restrictions toward which I have testified before the Fulbright Committee, and now have several proposals before the Senate Committee and the Securities and Exchange Commission.

A very important abuse in the management-stockholder relationship is the habitual tendency of management and corporate officials, and also more objective outsiders who you would think would know better, in cases of abuses brought up by stockholders, no matter how justified the complaint may be, or how obvious the abuse, so often the attitude is taken "if you don't like it sell your stock." Now this "brush-off" is insulting as well as wholly out of order; and in addition manifests a complete misconception of the essential status of the shareholder who is a part owner of a business, with the obligations and rights of that status. To tell him to get out if he doesn't like it is the same as to tell a citizen of the United States, if he doesn't like the way his country is being run, to go off to another country.

As a final word as to you, the shareholder's best constructive and overall action:—**behave and think as a business owner, thus conscientiously discharging your duties and obligations to your capital.**

Stock Split

Now for a few pertinent words about the increasingly popular proclivity (accentuated during bull markets) for the stock split, the stock dividend and the stock right. What is the basic differences between the stock split and the stock dividend: When is a split a dividend? Here a convenient answer is the simple formula laid down by the New York Stock Exchange, namely that a dividend of more than 24% is a split. Please realize that the recent stock split craze manifested in the great number of splits in the last couple of years, constitutes a major "bull" market foible. This is in line with Wall Street's recurrent psychological aberrations in elementary arithmetic. Those of you who were around during the market frenzy of the 1920's—marking the wildest

boom and crash in history, will remember that one of the major fictions contributing to that New Era's excesses was the illusion via the Investment Trust and Holding Company craze, that the mere process of putting together separate pieces of paper made the resulting whole worth a substantial premium. At that time the speculative technique was occupied with assembling a group of individual stocks into one unit and then selling to an eager public this whole unit at a price far in excess of the total of the constituent parts; with second, third and fourth degree pyramiding. This glamorously exploited the public's remarkable unawareness of the multiplication table; the whole then being deemed to be worth more than the sum of its parts.

In the 1940s, contrastingly, the public utility holding companies in process of SEC-directed dissolution, were quoted at considerable **discounts** (in lieu of the former premiums) below the readily calculable value of the constituent units. Now again midst its split-craze proclivities of the 1950's, the public is indulging in the mathematical illusion that the sum of the split pieces of paper is worth more than the whole; disregarding the fact that cutting a piece of paper in two, gives you no more than you had before.

The Market's Record

How in actual market experience does a stock split affect the price of the shares that are split? Earlier this year I completed, and published (In the "Commercial and Financial Chronicle," Jan. 17, 24, 31, Feb. 7, 1957), a statistical analysis based on the comparative action of split and un-split issues in 1955 and 1956. It was found that prices tended to be stimulated in the rumor stage preceding announcements of splits and to some extent immediately thereafter; with the advantage being effaced thereafter with post-split fading becoming intensified with the passage of time. Furthermore, in most instances of price advances the motivation stemmed from sources other than the split, such as dividend increase, earnings growth, etc.

The Stock Dividend

So much for the stock split. Let me now, similarly, take a look at its first cousin, namely the stock dividend, remembering that a splintering off of 24% or less constitutes a dividend instead of a split. Dividends are paid in stock instead of cash, most often to conserve cash and capitalize future earnings. This is legitimate when a growth or otherwise expanding company can profitably use plowed-back earnings instead of paying them out.

Now all this is eminently okay provided there is no misunderstanding on the part of the receiving stockholder as to what he is really getting. But unfortunately, such misunderstanding is quite widespread. The stockholder should realize that the stock dividend, like the stock split merely changes the printed form of ownership; what was formerly 100 shares has now become 110 smaller shares. He should realize that income is not so constituted and that if he sells the dividend for cash, his remaining holding represents a smaller share in the property, and hence that there is no avoidance of income tax involved. It seems to me that the stock-distributing company has the obligation to make this crystal clear to its stockholders on the receiving end; but if it does not, you, at least, should know what you are and what you are not getting.

The Stock Right

Now for stock rights. Similar to the stock split and the stock dividend in much of their workings is the stock right. This instrument usually comprises the evidence of the privilege which is given to an existing shareholder to subscribe to an additional stock offering at less than the existing market price to enable him to protect his investment position in the company. It is important for you to know that very often in the case of stock rights, dilution of your existing interest is involved—this depending on the terms of the offering. Dilution is governed by the relation of the market price of the outstanding stock to the equity value behind it, and also on whether your rights are exercised by you or sold.

Now, to summarize how you make out in the alternative ways of using your rights, under the respective conditions:

(1) Where the outstanding stock is selling at a discount below its equity value — and by that is meant below its proportionate share of the capital value of the company — here the stockholder who does *not* exercise his rights to subscribe to the new stock offering suffers a dilution of his equity.

(2) The stockholder who subscribes to his rights in a discount situation, that is where the price is below the equity value, comes out even dilution-wise.

(3) Where the outstanding stock is selling in the market at a premium, that is, above its equity value, the nonsubscribing stockholder not only escapes dilution but he enjoys a net over-all gain if he does not subscribe.

(4) The stockholder who subscribes to the rights in a premium situation escapes dilution and comes out even.

Thus, in a *discount* situation, that is where the price is below the equity value, you, the stockholder, must subscribe to protect yourself, constituting a form of assessment. In a *premium* situation you gain if you sell your rights; come out even if you subscribe.

Heads-I-Win-Tail-You-Lose

Now, finally, a few words about another corporate financing practice which I believe is extremely important for you to know about particularly in this stockholder - corporation discussion. I refer to the call feature of bonds. That is the customary privilege given to the corporation selling bonds to retire them before maturity. The decision whether to exercise the option of the company to call them or not as it chooses ordinarily rests on either the credit of the company getting better, or on a change in money rates; that is, if the corporation can borrow more cheaply due to a change in the money market, it has the privilege of calling off the contract. This constitutes a most inequitable and unfair arrangement which is certainly unique in any form of contract between two people; and, after all, a bond arrangement is a contract between you, the lender, and the corporation, the borrower. This kind of option arrangement, in other words, giving the borrower the option, not the obligation, to get out of the contract when it suits his best interests, is a one-way proposition; and inflicts on you, the lender, a heads-you-lose, tails-I-win proposition. I make it my own inflexible rule, and this is so in the case of tax exempt bonds, as well as in any kind of corporate borrowing; and I certainly commend to you never to buy a bond that contains this unfair call-feature.

So now, again in relationship to your company, as well as to your market doings as a whole I leave you with two words **"Be aware"**!

With Brown, Madeira

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Luigi C. Fiorenze is now connected with Brown, Madeira & Co.

Public Utility Securities

By OWEN ELY

Southwestern Public Service Company

Southwestern Public Service supplies electricity and some natural gas and water to a population of 796,000 in a contiguous area in the Texas and Oklahoma Panhandle, Texas South Plains and New Mexico Pecos Valley. Amarillo and Lubbock in Texas, and Roswell in New Mexico, are the principal cities served.

The region is primarily agricultural (cattle grain sorghums, cotton and alfalfa) but has substantial natural resources—oil and natural gas, potash, etc.—and has experienced strong industrial growth. Industry is largely connected with oil and gas, potash, carbon black, food processing, and chemicals. Phillips Petroleum, the largest company served, is expanding rapidly in the production of synthetic rubber.

The company has enjoyed very rapid growth. Population in the area has increased 61% in the past seven years. In the decade ending with the fiscal year 1957, kwh. sales increased 308%, revenues 256%, and balance for common stock 202%.

Activity in the area served is still at a high level, and precipitation is now plentiful following some years of drought. Amarillo's new building permits in 1957 were 42% over 1956, and recently have been showing a gain of 26%—despite a decrease in Dallas. Expansion is planned by International Minerals, Frontier Chemical, Celanese, Shamrock Oil & Gas, Phillips (which is building a large chemical plant) and four or five potash companies. Kilowatt hour sales increased about 11% in 1957, equaling the increase of the previous year; sales to residential customers gained about 15%. Revenues are expected to be up about 11% in fiscal 1958. The heat pump is now being actively promoted—while there was only one in the area in 1956, there were 50 in 1957 and there will be a substantial increase in 1958.

The company, after completion of the large generating station known as Plant "X" (277,500 kw.) found itself with excess capacity. Capability of all plants as of Aug. 31, 1957 was 813,300 kw. compared with a peak load of 636,000, an excess of 28%.

The company has increased its operating efficiency in recent years, a very large portion of its equipment being comparatively new. The operating ratio (electric) in fiscal 1957 was 55.6% compared with 60.6% in 1950. Employees are fewer in number than in 1952. Fuel cost of gas has doubled in the past decade but with improved generating efficiency the cost per kwh. is up only 18%. Moreover, the company has fuel clauses in all its industrial and commercial schedules.

The rate of return earned on estimated rate base (slightly above original cost) was 5.76% in 1957 and should approximate 6% in 1958. It is expected to go up to 7% in three or four years and remain around that level; accordingly the company does not expect to ask for rate increases. A recent rate simplification plan was put into effect, providing for single-meter service to commercial, rural and industrial customers. This constituted the largest single step toward rate simplification instituted by the company since its formation in 1942. Under this program, 87 present electric rates will be replaced by seven rate schedules. Simplified rate application and billing have resulted in a greater degree of rate understanding by the customers. Electric revenues will be increased slightly by this program.

$12.8 million was expended for construction in fiscal 1957 and slightly more is budgeted for 1958, with the 11th generating unit being installed in July. $15 million has been appropriated for generating unit No. 12, which is scheduled to go into operation in July, 1960.

The company will borrow from the banks to take care of construction in 1958, with no public financing of any kind until 1959. Late in 1961 or early in 1962 there may be some equity financing. The common stock equity is now close to 35% and should remain around that level in fiscal 1958.

Share earnings increased steadily from 99 cents in 1946 to $1.36 in 1949, receded to $1.30 in 1951 and (except for a negligible setback in 1954) have increased steadily to the recent $1.80 for the fiscal 1957. Dividends paid have increased in each year since 1946 (from 50 cents to $1.48) excepting in 1952 and 1956. Due largely to accelerated amortization, 50% of the dividend was tax-free in calendar year 1956, and about 37% is estimated for calendar 1957. The percentage will continue to decline, with the tax-free feature expected to disappear in 1962.

Chairman Nichols has recently predicted the following increases in earnings and dividends:

Fiscal Years Ending Aug. 31

	1957	1958	1962
Earnings	$1.80	$1.93	$2.80
Dividends	1.40	1.48	2.00 or more

The company was able to realize its budgeted earnings estimate of $1.80 for the fiscal year ended Aug. 31, 1957 — in the first few months earnings exceeded the budget by 7 cents but later this surplus was lost.

In the first quarter of the new fiscal year, kwh. output ran about the same as in the previous year and share earnings were 5 cents behind the budget estimate of $1.93 for fiscal 1958. However, in recent days, kwh. output has taken a sharp upward spurt with Dec. 2 showing a gain of nearly 14% over last year, which should help to offset the poor earlier showing.

At the present price around 32¾, with the current dividend rate $1.48, the stock yields 4.5%. The price-earnings ratio is 18.4 based on earnings of $1.78 for the 12 months ended Oct. 31, but would drop to 17 if the budget estimate for fiscal 1958 is realized.

With Wilson, Johnson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Hugh Keenan has become connected with Wilson, Johnson & Higgins, 300 Montgomery Street, members of the Pacific Coast Stock Exchange.

IBA GROUP CHAIRMEN

WESTERN PENNSYLVANIA	NORTHERN OHIO	OHIO VALLEY
		
Addison W. Arthurs *Arthurs, Lestrange & Co., Pittsburgh*	**Jack R. Staples** *Fulton Reid & Co., Inc., Cleveland*	**William L. Lyons, Jr.** *W. L. Lyons & Co., Louisville*

Harris, Upham Honors 25-Year Club Members

Harris, Upham & Co., 120 Broadway, nationwide investment brokerage firm with 36 offices coast to coast and members of the New York Stock Exchange, honored its 25-Year Club members at a dinner Wednesday, Dec. 18 in the Knickerbocker Club. George U. Harris and Henry U. Harris, senior partners of the firm, addressed the group now numbering 89 through the additions of Walter Carney and Joseph Lampiase of the firm's margin department.

J. C. Maxwell Director

John C. Maxwell, senior partner of Tucker, Anthony & R. L. Day, has been elected to the board of directors of General Precision Equipment Corporation, it was announced by Hermann G. Place, Chairman of the board and President of GPE.

Eastman Dillon Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Richard T. Quaile has been added to the staff of Eastman Dillon, Union Securities & Co., 3115 Wilshire Boulevard. He was formerly with Hill Richards & Co.

Continued from page 4

A Time for Vision

realism by the time-tested means of experience.

As all of you can recall, this same sound approach to economic matters carried over into the affairs of business and government. "You don't get something for nothing," was the way most people expressed it. This meant business organizations had to work hard to stay competitive and remain solvent, and that no government could return to the people the full amount of what it took from them in the first place.

Grim Fairy Tales

From those days of basing economic actions on realistic facts, however, we seem to have emerged into an era of fantasy. It is an era of economic fables that could well give our future a very grim outlook. In fact, I believe we could appropriately label these modern fantasies the "grim" fairy tales of the Twentieth Century.

There is, for instance, a fable being told frequently today that promises a shorter work-week at equal or higher pay, with no mention of increased productivity. Another story that is extant these days concerns the two villains—prices and profits. The first of these—prices—is said to be the cause of the inflation that currently grips the nation.

Prices, or more specifically, "administered prices," to use the words of those who are spinning this modern tale, are being branded as the culprit behind the steady rise in the cost of living. The fact that prices are a reflection of costs, as the steel industry pointed out recently in Washington, appears to have no bearing at all on the matter. No consideration is given to the incontrovertible fact that hourly employment and other costs have increased at a far greater rate than output per man hour. In U. S. Steel, total employment costs per hour rose at an annual rate of more than 8%, compounded annually, from 1940 through 1956. This was three times the increase in our product output per man hour compounded annually over the same period of time, and that output reflects the installation of new and improved machinery.

Obviously, when our employment costs and similar costs for our suppliers are increasing faster than the rate of productive output, something has to give. However, all we heard in Washington was the accusation that our rate of profit was too high, and this is about the most fantastic story that has come out in a long, long time. The fact of the matter is that in 1940, when the present cycle of inflation began, U. S. Steel made a profit, after taxes, of nine and a half cents per dollar of sales, and this was a little below the average rate of profit that we had earned in all the previous years of our history. In the 16 years since 1940, and despite peak years of production, we have never equalled that figure. The only time we have come close was in 1955 when we reached an even nine cents.

The same applies, I know, to most every industrial concern in this nation. The National Association of Manufacturers recently completed a study, based upon government and Federal Reserve Board statistics, which illustrates this fact. Taking the period from 1948 to 1956, essentially the postwar period, the Association discovered some interesting facts about our nation's manufacturing industries.

In the first place, it was found that when units of output were taken as a common measuring stick, compensation of employees showed an increase of 23% during those eight years; corporate taxes rose by some 32%; yet the price of manufactured goods was raised a mere 10%. Accordingly, something had to give, and as usual, it was profits—the profit per unit of output, after taxes, declined 25%.

It was also found that since 1948, a period in which total volume output increased some 40% and dollar sales rose an astonishing 56%, manufacturing profits, as a percent of sales, again took a back seat. They dropped from almost 5% in 1948 to just a little more than 3% in 1956—and this last figure was less than half the profit margin on sales in 1929.

I think you will agree that any illusion which may exist about profits being excessive is, indeed, a "grim" fairy tale. Equally disconcerting, of course, is the fact that those who condemn business profits, are frequently the same individuals who call upon industry to expand capacity and provide jobs and products for a growing population.

"Keep Our Feet on the Ground"

Just a few months ago, it was advocated that American industry take over a major part of the job of helping foreign nations build stronger economies. Industry is being looked upon as the main hope in adapting nuclear energy and electronic discoveries to productive processes. We hear it said, also, that industry will be required to play an important role in financing scientific research to lift mankind off the earth and into the era of space travel. But it seems obvious that we must first keep our feet on the ground if we are to assume these gigantic tasks and responsibilities. Our ability to succeed must not be impaired by a tax-cost squeeze on the profits which represent the only means of maintaining sufficient strength to do the jobs asked of us.

Somehow, we must get across to the American people that the natural laws of economics cannot be repealed by popular opinion, that regardless of our progress, we shall never achieve the impossible task of gaining "something for nothing." And particularly, it is time that business management took concerted action to convince everyone, once and for all, that business profits are far more than just the money left over after costs are subtracted from sales income.

Perhaps we could begin by proving conclusively that our system is not a "price system," as some refer to it, but rather, a "profit and loss system." It is profits and losses, as you and I are so well aware, that direct and re-direct our business planning to conform to the changing will of the people. It is profits, and the use of capital attracted by profits, that make available the better tools of production, the more effective uses of energy sources and the various means by which the wages of today can be paid and be given greater purchasing value in the marketplace.

In short, it is the profits realized by business and industry that create jobs, build efficient productive capacity, underwrite research and development of new products and keep our entire economy travelling along at an ever-higher rate of speed. I cannot visualize any task more imperative than the job of placing these facts before every citizen of this land. It is the only way we are going to return economic reasoning to a sound basis, and it is the means by which we can help the American people challenge the baseless assertions of those who insist upon substituting economic fantasies for economic facts.

Cites Western Germany

I spent a few weeks abroad this past summer, and one of the countries I visited was West Germany. This half of Germany began its recovery from the ravages of war and postwar inflation just a little more than a decade ago. To a large extent, its industry had been destroyed, and to say that its people were demoralized would be almost an understatement. Yet the leaders of West Germany undertook the challenge of rebuilding that once great section of Europe. In stark contrast to the state-planned economic measures of East Germany, they recognized that the shortest road to recovery lay in only one direction—a free economy.

Today, West Germany has one of the strongest economies in all of Europe. Its shipyards, in a demolished state just ten years ago, are now the busiest in the world. It is second only to our own nation in the production of automobiles. Its highways are crowded with commercial traffic and pleasure-seeking German people. Commercial shops and businesses are thriving.

"The real lesson of Germany's experience," as the First National City Bank Monthly Letter pointed out recently, "is that sound old-fashioned policies still work." West German capital is being invested in iron ore mines, automobile plants, and steel mills in other countries of the world, and I am told the German government even took steps a few years ago to encourage the payment of dividends to stockholders.

West Germany had its choice between a state-planned economy and private initiative. It elected to place its hopes in the hands of private initiative and already it has surpassed the highest peaks ever reached under the socialism of Germany's past. Some of its neighboring countries also faced a similar choice in the not-too-distant past. Their decisions were with the proponents of state-planning, and that, undoubtedly, is why their people must be leg-weary from pedaling bicycles, while West Germans have been busy "peddling" automobiles.

And what of America? Despite these ominous lessons, despite the

many recorded failures of socialism, despite our own tremendous progress through free, competitive enterprise, it would appear that we may well be facing a decision, also. The phrase, "standing at the crossroads," has become well-used and quite familiar, but it is an apt description of the situation confronting this nation today.

At the Crossroads

At the fork which lies ahead on the road of freedom, there stands a figurative forest of signposts, and the world is not going to give us much time to ponder their significance and make our decision.

Pointing in opposite directions, these signposts tell us . . .

We can have either decentralized government or centralized government.

We can have either profit-motivated progress or state-planned chaos.

Either growth through adequate depreciation allowances for industry or retrogression through inadequate industrial capacities.

We can experience either fiscal soundness by intelligent reasoning or inflation by irresponsible action.

And this is not all.

There are basic signs which point out with startling clarity that either we must continue on the road of government by law or turn in the direction of government by men.

There is the choice between selling free competitive enterprise to the people of this nation and the world, or buying the foreign ideology of business by government dictate.

There is the opportunity for leadership in a troubled century, versus the fate of shunning our responsibilities to mankind.

Half hidden behind all of these, moreover, is one signpost which indicates the ultimate destination of each road that lies ahead. On one side is the word "Communism;" on the other, "The American Way of Life."

As the achievements of freedom and the promise of our present greatness illuminate the signs before us, may God grant us the vision and the wisdom to decide with firmness and conviction the most critical decisions we have ever faced.

D. F. Barton Director

The election of D. Frederick Barton as a director of Food Fair Stores, Inc. has been announced by Louis Stein, President.

Mr. Barton is a partner in the investment banking firm of Eastman Dillon, Union Securities & Co.

R. R. Spence Director

Robert R. Spence, General Partner, Hemphill, Noyes & Co., has been elected as a Director of Ketchum & Co., Inc., it was announced by Harold M. Altshul, President of Ketchum.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is being pushed around a bit, but this is being looked upon as a normal development when consideration is given to the fact that the rise in quotations has been very sharp and over a very short period of time. Nonetheless, the market for Government securities is still bullish, in the opinion of most money market specialists, because they expect money rates to go lower. This will be brought about either by important open market operations or by a decrease in reserve requirements. The deterioration in the business picture indicates that important and favorable money market action is indicated in the near future.

The Treasury bill market is still finding plenty of demand in spite of the recent increase in the offering of this obligation. Reports continue to indicate that the deposit banks are building up holdings of the most liquid Government issues.

Market in Consolidation Phase

The money market is still making hay and, although there has been adjustments in the bond market, there is no question about conditions being on the favorable side. The minor hesitation, or the opportunity for the market in fixed income bearing obligations to pause and catch its breath, is being considered to be a constructive development. There is still a very large demand around for Government securities, and the backing away of quotations from the top levels made in the recent sharp upturn has not lessened the buying of these obligations.

As a matter of fact, the profit-taking and selling which has come into the market from time to time has been very readily absorbed. To be sure, an adjustment in the quotations of bonds is to be expected at intervals, because it is very seldom that prices go straight because there is always the trader and the dealer who is inclined to sell out his positions in order to make sure that the gains have been established.

Tax Loss Selling Active

The fast moving operators have been disturbed by the lack of ease in the money market and, when money conditions tightened a bit more last week, there was profit taking in the Government market. Also, there has been some outright selling by institutions, since the level of prices was high enough so that they could take tax losses. Previously the quotations were so low that tax loss selling was pretty much out of the picture as far as some institutions were concerned.

The market adjustment has not effected switches, since it is reported that shorter-term issues are still being swopped into the longest maturities. Also, the more favorable prices which can be obtained during a period of adjustment has hastened the move into the most distant Government securities.

Business Trend Favors Government Market

The deterioration of the business picture continues and in some cases the downtrend has been very sharp. These data seem to prove that the inflationary trend is over, and the economy is in a recession, the duration of which is the subject of considerable prediction and much discussion. The fact that the business pattern is on the defensive is not an unfavorable factor as far as the Government bond market is concerned. There will be ease in money and credit conditions which can be brought about in many ways with the lessened demand for money and credit one of the important ones.

Also, the action or inaction of the Central Banks can help to ease the money market. Federal can give the money market considerable aid by doing nothing at all, such as not selling Treasury bills to offset the return flow of currency and the paying off of loans which usually takes place after the turn of the year. Another way in which quick and effective help can be given to the money market is through a reduction in reserve requirements of the member banks of the system.

Cut in Reserve Requirements Matter of Time

There is some question in the minds of certain money market operators now about the time when reserve requirements will be changed. It is indicated that this group does not look for changes in reserve requirements until after the turn of the year. As against this, there are those who believe that reserve requirements could be changed at any time. They believe that the weakened economy needs the stimulus of lower reserve requirements.

L. & N. RR. Equipment Trust Ctfs. Offered

Salomon Bros. & Hutzler and associates yesterday (Dec. 18) $8,700,000 of Louisville & Nashville RR. 3⅝% (non-callable) equipment trust certificates, maturing annually Jan. 15, 1959 to 1973 inclusive.

The certificates are scaled to yield from 3.50% to 3.75%, according to maturity. Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The issue is to be secured by 250 50-ton box cars and 900 70-ton open top hopper cars, estimated to cost not less than $10,875,000.

Associates in the offering are: Drexel & Co.; Eastman Dillon, Union Securities & Co.; and Stroud & Co. Inc.

With Shearson, Hammil

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert G. Hafferkamp and Harold L. Passig are now affiliated with Shearson, Hammill & Co., 520 South Grand Avenue. Mr. Passig was previously with G. Brashears & Co.

Allied Secs. Co. Opens

Sol Abramowitz is engaging in a securities business from offices at 160 West 46th Street, New York City, under the firm name of Allied Securities Co.

IBA GROUP CHAIRMEN

CENTRAL STATES

Paul W. Fairchild
The First Boston Corporation, Chicago

MICHIGAN

William L. Hurley
Baker, Simonds & Co., Detroit

MINNESOTA

Guybert M. Phillips
Caldwell, Phillips Co., St. Paul

K. P. Tsolainos is Honored by Greek King

King Paul of Greece has awarded one of his nation's highest honors, the Golden Cross of the Phoenix, to K. P. Tsolainos as a Commander of the order. The presentation was made by Greek Foreign Minister E. Averoff.

Mr. Tsolainos is a senior partner of Baker, Weeks & Co., members of the New York Stock Exchange.

Mr. Tsolainos was cited for his continuing contributions to Greek education and for his service to Athens College, of which he is Vice-Chairman of the Board of Trustees.

Barnett Co. Formed

Barnett & Co., Inc. is engaging in a securities business from offices at 40 Exchange Place, New York City.

Biltmore Secs. Opens

Biltmore Securities Corp. is conducting a securities business from offices at 160 Broadway, New York City.

Form Gibraltar Assoc.

HEMPSTEAD, N. Y.—Gibraltar Associates has been formed with offices at 9 Centre Street to engage in a securities business. Partners are Abe H. Madoff and Sylvia Madoff.

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Specific Labor Proposals of Eisenhower Administration

Taft-Hartley Act which we consider appropriate and timely.

Secondary Boycotts—The President will repeat his 1954 recommendations to Congress that the law be changed so that concerted activity against employers performing farmed-out struck work and on construction project sites should not be considered as secondary boycotts.

There are, however, other secondary boycott activities which are definitely contrary to the public interest and as undesirable as the secondary activities now prohibited by the Taft-Hartley Act.

We will propose, therefore, that any secondary boycott instigated by a union now covered by the Act would be prohibited if it coerces an employer directly, or induces individual employees, in the course of their employment, to refuse to perform services in order to coerce an employer to cease doing business with others. This proposal would apply to coercion of all employers, including those not now under the Act's definition of "employer," such as railroads and municipalities. It would prevent an employer from being coerced to enter into or perform on agreements to refrain from doing business with any other person.

Picketing—The Administration will also recommend that it be made an unfair labor practice for a labor organization to coerce, or attempt to coerce, an employer to recognize or bargain with it as the bargaining representative of his employers where:

(1) The employer has recognized in accordance with law another labor organization as the representative of his employees and has executed a collective bargaining agreement, and a question of representation may not appropriately be raised under the Taft-Hartley Act; or

(2) Where within the last preceding 12 months the NLRB has determined in a proceeding under Section 9 of the Act that the employees do not wish to be represented by the labor organization.

(3) There is unquestionably much public sentiment against all organizational picketing and some responsible sources are advocating its complete elimination. The matter has been deeply considered and we believe that while the right of legitimate picketing must be preserved, there can be situations when no responsible labor organization could claim a coercive power to force a union upon employees who clearly do not want that union to be their bargaining representative. When it is clear that the employees of the employer do not desire a union as their bargaining representative, the use of a picket line to force that union upon an employer and his employees should be restricted.

Other Proposed Taft-Hartley Amendments

The Administration will also propose that:

(1) Section 302 of the Taft-Hartley Act be amended to:

(a) Prohibit unauthorized payments made to employee representatives by employer agents or representatives, as well as those made directly by employers.

(b) Cover employer payments to any employee representative, as distinguished from present coverage of employer payments "to any representative of **his** employees."

(c) Prohibit payments over and above payments for regular job duties by an employer, his agent or representative to an employee or group or committee of employees to encourage, discourage or influence other employees of the employer in the exercise of their right of self-organization or the selection of a representative.

(d) Permit employer payments to apprenticeship and training trust funds.

(2) That other sections of the Taft-Hartley Act be amended to:

(a) Eliminate the statutory prohibition which bars economic strikers from voting in representation elections.

(b) Authorize the NLRB, under appropriate circumstance, to certify building and construction trades unions as bargaining representatives, without prior elections.

(c) Eliminate the non-Communist affidavit requirement.

(d) Prevent parties to a valid contract from being required to bargain during the life of the contract unless there is a reopening provision or the parties agree to the contract being reopened.

(e) Make clear that when the office of the General Counsel of the NLRB becomes vacant the President may designate some other officer or employee to serve as acting general counsel until a successor is appointed.

In the area of Federal-State jurisdiction in labor disputes affecting commerce, some problems have arisen, as you know, due to recent court decisions (Supreme Court in the **Guss** and related cases). We are not recommending concurrent Federal-State jurisdiction in labor-management disputes, which I feel would tend to break down uniform national labor-management relations. But we will recommend that these problems be met by amending the Taft-Hartley Act so that the jurisdictional gap which now exists would be closed by authorizing the States to act with respect to matters over which the NLRB declines to assert jurisdiction.

These legislative recommendations are designed to benefit and protect labor's many millions of fair, honest and decent members as well as curb abuses in labor-management relations. They are no cure-all. Much of the corruption and violence which has been disclosed can be traced directly to inadequate enforcement of existing laws, particularly at the local level. We should remember that there are laws already on the books, after all, against bribery, against murder and embezzlement. These laws, of course, must be enforced to the hilt.

I believe this legislative program will be of great assistance, however, in helping the labor movement to regain the high position it deserves in the hearts and minds of the American people. I believe it deserves the support of every American who has labor's interest at heart, just as I believe other types of legislation that would cripple labor deserve their condemnation.

Behind these proposals is the conviction that America without strong and upright labor unions, America without great labor leaders, would not be America as we know and love her.

The challenge is clearly before us. To face it with courage, with resolution and with determination to make the labor movement completely free of all motives but the true and the right ones—this is the job that you have undertaken, and it is one that all men of good will everywhere will help with. I have no doubt that the result will be a new and a proud chapter for our country.

Joins Reserve Inv. Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio — William O'Brien has become connected with the Reserve Investment Company, Dixie Terminal Building.

With L. A. Caunter

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Arnold W. Preslan is now with L. A. Caunter & Co., Park Building.

With Bosworth, Sullivan

(Special to The Financial Chronicle)

DENVER, Colo.—David M. Pollock is now connected with Bosworth, Sullivan & Company, Inc., 660 Seventeenth Street.

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Gearing Economic Policy To the Crisis Before Us

saving more, preparing for the time when they will purchase a new home or a new car. Accumulation of demand for consumer durables will have to be filled sometime.

Although recent surveys indicate that industrial spending for plant and equipment in 1958 will be 7% lower than in 1957, it will still be an impressive figure of nearly $35 billion. There is a constant demand for capital equipment in certain industries, such as the utilities and petroleum. There is still need for more new schools and public buildings. The building of new highways must go on. Expenditures for military purposes will be increased.

The effect of increased military spending on the economy will depend largely on the state of the budget — whether it is balanced, or not. If the budget is unbalanced in any large degree, we could easily have a resumption of inflation. Our economy has so many built-in safeguards against recession that it is inclined to have an inflationary bias, and a large increase in military spending could start the inflationary spiral again, if it involves deficit financing.

It is quite possible that effective radar defense against inter-continental ballistic missiles, defense against submarines launching long-range missiles, development of interception techniques, and the whole field of rocketry, missile development and space experimentation, may cost many more billions than anyone now imagines. Although the increase in military spending may be only $2 or $3 billion next year, the program is almost sure to expand as the years go by. At first such expenditures would tend to affect only a limited segment of our economy, but it would spread as expenditures are stepped up.

Bold Plans Needed

We need bold plans to meet the double crisis of the threat typified by Sputnik and the threat of an economic recession. Nothing but bold plans ever won an offensive action. We must take action against the double threat. Only by taking adequate action, can we remain strong in both the military and economic sectors of our national life. It is failure to take adequate action which spells defeat.

The fact that the rate of economic expansion has slowed up does not mean that our economic machinery is no longer efficient. It simply means that some parts of the economy have been moving ahead too fast and that they must pause a little for the others to catch up. We were fearful of impending recession in 1949 and again in 1954. In both instances, we were able to take effective measures to restore a better balance and to move ahead.

Even if the Gross National Product in the fourth quarter of 1957 does not rise materially above the $439 billion rate of the third quarter, the total for the year will be about $435 billion. This will be the highest year in history and $20 billion above the $414.7 billion of 1956. After allowing for the price increases which took place during the year, physical production of goods and services is still substantially above 1956. In my opinion, total production of goods and services will be even higher in 1958.

I am optimistic about the prospects for the coming year if we take intelligent, aggressive steps of policy to meet the current crisis. I believe that we have more power, if we will but use it, to stop an economic recession than we have to curb safely the threat of inflation.

We may expect some sagging in economic activity during the next few months, but that is no reason for gloom or loss of confidence. Now is the time for businessmen to show their strength, to take any set-backs in stride and to meet competition with increased emphasis on selling, advertising and sound merchandising of quality products. As businessmen, we cannot afford to lose confidence because of temporary adverse conditions when we know that the next decade will bring us tremendous opportunities for economic service to a growing country.

Joins Paynter & Co. Staff

(Special to The Financial Chronicle)

FT. MORGAN, Colo. — Clay T. Whitcomb has become affiliated with Paynter and Company, 114 East Kiowa Avenue.

With A. M. Kidder Co.

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla. — Edwin W. Gass is now with A. M. Kidder & Co., Inc., 207 East Las Olas Boulevard.

Join A. M. Kidder & Co.

(Special to The Financial Chronicle)

MIAMI, Fla.—Kenneth A. Wood and Robert H. Davis II are with A. M. Kidder & Co. Inc., 139 East Flagler Street.

A. M. Kidder & Co. Adds

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla. — Alfred L. Dyson, Jr. has been added to the staff of A. M. Kidder & Co., Inc., 400 Beach Drive, North.

With Curtis Merkel Co.

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—R. D. Michaels is with Curtis Merkel Company, Inc., 601 First Avenue, North.

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Changing Pressures on the Canadian Dollar

Bank of Nova Scotia analyzes current trends affecting the market for the Canadian dollar and the Canadian balance of payments.

The current leveling-off in the Canadian economy is bound to have important effects in the balance of payments and in the exchange market for the Canadian dollar, says the current Monthly Review of The Bank of Nova Scotia, which discusses the movements in the exchange rate during the past few years.

One area which will be affected by recent developments is that of merchandise imports. When the investment boom was gaining strength in 1955 and 1956, the volume of Canada's imports rose much more rapidly than domestic production. In large part this was because the expanding capital program required machinery and construction materials of kinds or in quantities not readily available in Canada. Now that economic conditions are easing, there is a fair chance that imports may again be more heavily affected. There may also be similar reductions in payments for freight and shipping and for such business services as royalties and engineering fees.

The big question, however, is whether these developments (which would tend to sustain the exchange rate) will proceed as rapidly or go as far as the various factors working in the opposite direction. Among the latter are the possible downturn in exports, the more certain addition to interest and dividend payments (because of the heavy foreign investment of the past few years) and, most important of all, the likely contraction in the overall inflow of capital.

In the past seven years, favorable export markets and the associated high rate of investment and capital inflow have tended to more than offset greatly increased import requirements, producing for most of the period a strong exchange rate. In an atmosphere of easing export markets and slackening capital investment, the exchange rate might be weaker. The factors involved, however, are complex, capital movements in particular being sensitive to changes in business conditions, in investor confidence and in official economic policies.

Exports Slowing Down

During 1957, the Review goes on to say, the total flow of Canadian exports has been slowing down, and markets for many products have become more uncertain than at any time since 1954. Overseas shipments of grain have fallen sharply and there has been a gradual softening in both U. S. and overseas demand for most of this country's basic wood and mineral exports. In spite of a scheduled further rise in exports of uranium, it is difficult to foresee for the coming months anything better than a level rate of total export income. There may, indeed, be some decline.

Turning more directly again to the exchange market, the Review points out that since the autumn of 1950 the exchange rate on the Canadian dollar has once again been free to move up or down in response to market forces. This freedom of movement is subject only to regular Exchange Fund operations aimed at resisting what seemed to be excessive short-run fluctuations but giving way gradually in the face of persistent trends. The decision to return to such a free rate system was influenced to a considerable extent by the difficulties which had been experienced between 1946 and 1950 with a fixed rate.

Free Rate Kept Costs Down

With regard to recent criticism of the free exchange rate system, the Review says there can be no denying that an appreciable rise in the foreign exchange value of the Canadian dollar does cut into the earnings of any producer whose prices must be competitive with prices abroad. But it is equally clear that in an inflationary environment the absence of a rising exchange rate would have meant higher costs than those actually experienced.

It has, in fact, been open to the monetary authorities all along to seek to encourage a lower exchange rate, but this would have involved a less restrictive credit policy and, undoubtedly, higher prices. Now that the general economic situation is gradually changing, it is possible that the new balance of forces in the exchange market may in themselves be leading to a lower rate. Whether or not the Canadian authorities give an added push to such a development will depend on the degree of easing they consider appropriate in the Canadian economy and whether they wish to move more rapidly than the United States in this direction.

The Review goes on to suggest that the difficulties in determining appropriate monetary and fiscal policies would not be removed by the return to a fixed rate system. In certain circumstances, indeed, they might be considerably increased. The fact is that in a period of rapid economic growth and of great optimism among foreign investors about Canada's prospects the flexible exchange rate has for the most part worked well. Changes in the rate have been relatively small and these changes have facilitated adjustments in the balance of payments.

Ralph Madoff Opens

HEMPSTEAD, N. Y. — Ralph Madoff is conducting a securities business from offices at 9 Centre Street.

Daniel Mook Opens

Daniel Mook is engaging in a securities business from offices at 64 West 36th Street, New York City.

Forms Sec. Planning

Dorothy Gluck is engaging in a securities business from offices at 666 Fifth Avenue, New York City, under the firm name of Security Planning Service.

LETTER TO THE EDITOR:

Reader Suggests Changing Role Of the Rediscount Rate

Perceiving numerous difficulties in arriving at proper rediscount rate, Reader Shull suggests the Federal Reserve permanently fix its discount rate at 3%, lend member banks sufficient amounts to meet reasonable business needs, and allow banks to compete among themselves as to their lending rate.

Editor, Commercial and Financial Chronicle:

We currently read in the press a great deal about what the Federal Reserve has done, or may do, with the discount rate — whether it will be held at its present 3%, or again be raised or lowered, as the case may be, to some other level. And with the doubt and uncertainty which that must leave in the minds of bankers directly in contact with the public, it would seem that they are considerably handicapped in trying to determine the proper rates to accord their customers depending on them for loans.

Frederick G. Shull

One gets the impression that the FED has its finger on the pulse of the entire business of the country and can at any time say just what the needs of business are and how it should function; but it does not seem reasonable to assume that any one individual—regardless of his capacity as a wizard of finance — can possibly comprehend the financial needs of a nation's industry as a whole, or, for that matter, even a small segment of it. Why, even large corporations get together a flock of their officials to discuss policy, and try to decide what moves to make to further the best interests of their particular corporation—and even then they occasionally make mistakes in guessing what the future has in store for them. How much less, therefore, can the FED be relied upon to say what will be in the best interests of industry as a whole.

As a layman, it would seem to me that it would make for greater helpfulness to business if the Federal Reserve would set its discount rate at 3%, and maintain that rate through thick and thin; loan the member banks sufficient amounts to meet the reasonable needs and legitimate requirements of their borrowing customers; and let the banks compete among themselves as to rates to be offered those borrowers. In other words, let the old law of supply-and-demand be keenly operative in this field as well as in the field of business in general.

I cannot see how one individual —the head of the Federal Reserve System—can possibly be so well versed in the financial needs of business involving our 170,000,000 people as to be able to intelligently regulate their activities by *upping* or *downing* the discount rate to commercial bankers—people who in the aggregate possess a lot more financial sense. But if I am all wet in these observations, I hope some banker or economist will point out the flaws in my argument.

FREDERICK G. SHULL
2009 Chapel Street,
New Haven 15, Conn.
Nov. 23, 1957.

C. Russell Berger

C. Russell Berger passed away Dec. 16 of injuries received when he was struck by a train while returning to his home. Mr. Berger was a securities cashier for G. A. Saxton & Co., Inc., New York City, with which he had been associated for thirty years.

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Continueed from page 4

The State of Trade and Industry

some rolling time open as early as the first quarter of 1958. One Midwest producer has gone off allocation and is urging all sales offices to recheck long-term delivery commitments, this trade weekly reports.

The automotive industry boosted passenger car output 6.1% last week and is scheduling its 6,000,000th United States unit of the year this week, "Ward's Automotive Reports," declared on Friday last.

"Ward's" observed that the milestone vehicle will stamp 1957 as the industry's third-best year in history. The only other times 6,000,000 cars have been built in a 12-month period were in 1955 when output reached 7,942,132 units, 1950, 6,674,933 units and 1953, 6,134,534 units, but the 1953 volume is scheduled to be exceeded in the closing days of this year.

The statistical agency counted the past week's production in United States plants at 169,866 cars and trucks compared with 162,094 last week and 182,548 in the same week a year ago.

Car output alone climbed 6.1% over the preceding week to 148,069 from 139,506 units with General Motors Corp. taking a bright 54.9% of December assemblies thus far. Ford Motor Co. is holding down 26.2%. Chrysler Corp. 15.8% and American Motors 2.2%. Studebaker-Packard is taking 0.9%. Saturday overtime continues to figure into weekly car and truck assembly, "Ward's" said, particularly in plants of Chevrolet, Ford and International Harvester.

"Ward's" noted that Chevrolet last week attained No. 1 honors for entire 1957 in the United States production of cars and trucks. Chevrolet's record output the past week swelled its production since Jan. 1 to 1,789,487 cars and trucks compared with 1,781,891 for Ford.

Chevrolet this week also will establish its No. 1 position in passenger car assembly. It accumulated 1,450,676 units through last week vs. 1,457,359 for Ford but is out-producing Ford by 15,000 cars on a weekly basis. Ford, of course, holds a commanding year-to-date lead in new car sales.

Business spending for new plant and equipment in the first quarter of 1958 will decline 5% below outlays for the fourth quarter of this year. This will be the first decline since early 1955, a joint report by the United States Department of Commerce and the Securities and Exchange Commission predicted.

The joint report placed the seasonally-adjusted annual rate of capital investment for the first quarter of next year at $35,500,000,000 compared with an estimated rate of $37,500,000,000 for the final quarter of 1957.

The prospective first-quarter rate would be somewhat higher than the $35,000,000,000 total of such spending in 1956, but 5% below the 1957 average and well under the $36,900,000,000 annual rate of the similar quarter of 1957.

Plant and equipment spending is considered by many economists to be a key factor in the economic situation. The leveling out of such investment over the 1957 year is cited by economists as one of the main factors in the present business decline.

Results of the latest survey indicate outlays rose to a record seasonally-adjusted annual rate of nearly $37,800,000,000 in the third quarter of this year, topping the previous estimate of $37,200,000,000.

Fourth quarter spending is expected to be about $37,500,000,000 compared with an earlier estimate of $37,200,000,000. The annual rate for the first half of the year was $37,000,000,000.

Actual private home building for 1957 will fall short of the million mark despite a seasonally adjusted annual rate of just over that total for the month of November, the United States Department of Labor indicated.

It pointed out that private housing starts for the first 11 months of this year totaled only 926,700 or 10% below the 1956 figure for the like period and the smallest for those months since 1949. Continuing, it stated that despite seven successive months in which the private home building rate has been near or over a million, the actual building rate would fall short of a million because of lower volume in the first four months of the year.

The indicated 1957 total of less than a million is about in line with what government housing officials have expected for the year. They have blamed the effects of tight credit controls and high interest rates for the lack of home mortgage money, and this, in turn, for the drop in housing starts.

Steel Output This Week Expected to Drop to 67.9% of Ingot Capacity

Steelmakers worked below 70% of capacity last week for the first time since 1954, except for strike or holiday periods. Operations were down 2.5 points from the previous week, falling to 69% of capacity or about 1,800,000 net tons of steel produced, "Steel" magazine reported on Monday of this week.

The curtailed ingot rate reflects inventory liquidation almost across the board in metalworking and suggests that steel inventories at users' plants were much higher than any one suspected.

A hopeful note is that steel stocks are lower than they were a year ago, the weekly magazine of metalworking added. One year ago, stocks totaled about 20,000,000 tons, after a 4,000,000-ton addition in 1956. By last May, they rose to 22,000,000 tons and now stand at 19,000,000 tons.

General liquidation will continue for at least the next six months and by mid-1958, steel stocks may reach about 15,000,000 or 16,000,000 tons "Steel" stated.

Many steel buyers are trimming stocks because: their business is down; virtually every steel product is readily available for the first time since 1954 and finally, because there will be no industry-wide steel strike in 1958.

A "Steel" survey of 12 buying categories shows inventory liquidations going on in autos, appliances, electrical equipment, material handling equipment, steel mill machinery, general machinery, farm equipment, oil country goods, fasteners and stampings.

Turnover is the worry in steel warehouses. Most report it is at least 10% slower than a year ago and some say it is as much as 30% slower. Most inventories are high. Further, widespread cutbacks have occurred in defense work.

The publication said mills report that new orders for finished steel are flowing in steadily, but they are for small lots and on a hand-to-mouth basis.

The absence of active mill and foundry demand continues to force scrap prices lower, though the pace of the decline has slackened noticeably. "Steel's" composite on the prime steelmaking grade last week fell another 33 cents to $32 a gross ton, a new low since October, 1954, concludes this trade weekly.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steel-making capacity for the entire industry, will be an average of 67.9% of capacity for the week beginning Dec. 16, 1957 equivalent to 1,739,000 tons of ingot and steel for castings, as compared with an actual rate of 69.2% of capacity, and 1,770,000 tons a week ago.

Steel operations are expected to record declines for the eleventh consecutive week.

The industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,495,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 76.0% and production 1,945,000 tons. A year ago the actual weekly production was placed at 2,525,000 tons or 102.6%.

The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Records Further Gains in Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 14, 1957, was estimated at 12,570,000,000 kwh., according to the Edison Electric Institute. Output continued its gains of the previous week.

The past week's output rose 255,000,000 kwh. above that of the previous week and by 350,000,000 kwh. or 2.9% above that of the comparable 1956 week and by

968,000,000 kwh. above that of the week ended Dec. 17, 1955.

Car Loadings Rose 11.6% in Post-Holiday Week

Loadings of revenue freight for the week ended Dec. 7, 1957, were 64,116 cars or 11.6% above the preceding holiday week, the Association of American Railroads reports.

Loadings for the week ended Dec. 7, 1957, totaled 617,838 cars, a decrease of 120,413 cars, or 16.3% below the corresponding 1956 week and a decrease of 103,680 cars, or 14.4% below the corresponding week in 1955.

Passenger Car Output Last Week Climbed 6.1% Above Preceding Week

Passenger car production for the latest week ended Dec. 13, 1957, according to "Ward's Automotive Reports," continued to advance above that of the previous period, recording a gain of 6.1%.

Last week's car output totaled 148,069 units and compared with 139,506 (revised) in the previous week. The past week's production total of cars and trucks amounted to 169,866 units, or an increase of 7,772 units above that of the preceding week's output, states "Ward".

Last week's car output advanced above that of the previous week by 8,563 cars, while truck output decreased by 791 vehicles during the week. In the corresponding week last year 158,431 cars and 24,117 trucks were assembled.

Last week the agency reported there were 21,797 trucks made in the United States. This compared with 22,588 in the previous week and 24,117 a year ago.

Canadian output last week was placed at 6,080 cars and 1,166 trucks. In the previous week, Dominion plants built 4,439 cars and 1,089 trucks and for the comparable 1956 week 10,587 cars and 2,033 trucks.

Lumber Shipments Fell 3.7% Below Production in the Week Ended Dec. 7, Last

Lumber shipments of 485 reporting mills in the week ended Dec. 7, 1957, were 3.7% below production, according to the National Lumber Trade Barometer. In the same period, new orders were 3.0% below production. Unfilled orders amounted to 26% of stocks. Production was 22.4% above; shipments 14.0% above and new orders were 4.9% above the previous week and 10.2% below production for the like week of 1956.

Business Failures Show Mild Declines in Latest Week

Commercial and industrial failures declined to 269 in the week ended Dec. 12 from 287 in the preceding week, according to Dun & Bradstreet, Inc. Casualties remained moderately higher than the 249 last year and 247 in 1955 and they were about even with the prewar level of 270 in the comparable week of 1939.

Liabilities of $5,000 or more were involved in 235 of the week's failures. The total in this size group fell below the 252 a week ago, but exceeded the 210 last year. Small casualties with liabilities under $5,000 dipped to 34 from 35 in the previous week and were down slightly from 39 in the similar week of 1956. Twenty-six of the failing concerns had liabilities in excess of $100,000 as compared with 22 a week ago.

All of the decline during the week was concentrated in retailing where casualties dropped to 114 from 149. In contrast, the manufacturing total edged to 54 from 53, wholesaling to 28 from 21, construction to 48 from 41 and commercial service to 25 from 23. In all lines except retailing, failures exceeded their 1956 levels. The most noticeable increases from a year ago occurred among wholesalers and manufacturers.

Geographically, failures dipped in six of the nine major regions. The Middle Atlantic States reported 90 casualties as against 100, the East North Central 42 as against 47 and the South Atlantic 22 as against 25. Contrasting increases appeared in three regions, including the Pacific States where the total rose to 70 from 62. More businesses failed than a year ago in six of the nine regions with the sharpest upswing from 1956 centered in the East North Central States.

Wholesale Food Price Index Last Week Registered a New High Covering a 2½ Year Period

The higher trend in prices of foodstuffs continued the past week and the Dun & Bradstreet wholesale food price index for Dec. 10 at $6.45, represented a new high for the past two and a half years. It compared with $6.42 a week earlier and marked a gain of 4.4% above the $6.18 for the comparable date a year ago.

Moving upward in wholesale cost during the week were flour, wheat, rye, oats, hams, butter, raisins, currants and hogs. Lower in price were corn, beef, cocoa, eggs and steers.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index In Latest Week Broadened Its Gains of Preceding Period

The general commodity price level advanced moderately last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 278.46 on Dec. 9, from 276.94 a week earlier, but was noticeably below the 301.59 of the comparable 1956 date. The index compared with 275.69 a month ago, the 1957 low.

Trading in most grains was close to that of the preceding week. Purchases of wheat were sluggish with prices unchanged. According to a private estimate, the amount of wheat under Government loan as of Nov. 15 was 173,000,000 bushels, up 20,000,000 bushels from Oct. 15. Both cash and futures prices of corn advanced slightly and transactions rose moderately above those of a week earlier.

There were fractional decreases in prices of oats and soybeans, while rye quotations remained close to week-earlier levels. Buying of flour slackened, following reports of favorable growing conditions for Winter wheat and a lower support level for the next crop. On Friday flour receipts at New York railroad terminals amounted to 30,158 sacks, including 12,416 for export and 17,742 sacks for domestic use.

Coffee prices rose somewhat as trading increased. Inventories were low and supply lines from Brazil and Columbia tightened. Roaster inventories totaled about 1,550,000 bags. Buying of cocoa was less active with prices down somewhat from a week ago.

International tension in Indonesia resulted in a sharp gain in trading in rubber futures. Prices rose substantially as buyers anticipated the possibility of reduced cargo space for rubber shipments from Indonesia following reports that a large Dutch shipping company has ordered its ships not to return to Indonesian ports. There was a marked gain in purchases of hides, which resulted in prices advancing appreciably.

Sugar futures declined slightly at the beginning of the week and purchases picked up moderately. Raw sugar prices rose somewhat toward the close of the period. Wholesalers were concerned over extensive fires in cane fields of Cuba.

In Chicago, price of hogs fell somewhat as trading slackened. Hog receipts expanded sharply over those of a week earlier and were slightly higher than a year ago. Prices and trading in lard and vegetable oils were close to week-earlier levels.

Although cattle receipts climbed noticeably over those of the previous holiday week, they were below those of the similar 1956 period. Trading was about on a par with the preceding week, but prices dipped slightly. Wholesalers reported a slight decrease in lamb prices. Trading slackened and receipts were down from a year ago.

Expectations of a cut in the next official crop forecast and an unexpected increase in the parity price encouraged trading in cotton futures, and caused prices to advance moderately. United States exports of cotton for the week ended Tuesday were estimated by the New York Cotton Exchange at 91,000 bales compared with 107,000 bales in the previous week and 163,000 bales in the comparable week last year. Exports for the season through Dec. 3 were estimated at 1,709,000 bales compared with 2,145,000 bales a year ago.

Trade Volume Declined Moderately Both for the Past Week and Like Period of 1956

Rainy weather and transit strikes in some regions curtailed Christmas shopping in the period ended on Wednesday of last week and volume fell moderately under that of a year ago in the nation as a whole. The most noticeable year-to-year declines prevailed in sales of furniture, housewares and major appliances. Over-all apparel volume was down slightly from the comparable week last

Continued on page 108

Officers Named by American Secs. Corp.

Joseph W. Dixon will become President of American Securities Corporation on Jan. 1, it was announced by William Rosenwald, Chairman of the Board. Mr. Rosenwald also announced that, at the same time, H. Theodore Freeland will become Executive Vice-

Joseph W. Dixon

Wm. N. Bannard, III

H. Theodore Freeland

President, and William N. Bannard, III, will become Chairman of the Executive Committee.

Mr. Dixon has been a director and Vice-President since joining the organization in 1949, and is a former member of the Board of Governors of the Investment Bankers Association of America. He succeeds Emmett F. Connely, who will retire as President but continue as a director and consultant.

Mr. Freeland is a director and has been Vice-President in charge of the corporate buying and trading departments, which, in addition to his new duties, he will continue to supervise.

Mr. Bannard is also a director and is Vice-President in charge of American Securities' sales and research activities and the public utilities department.

Form J. D. Inv. Co.

FT. COLLINS, Colo.—J. D. Investment Co. is engaging in a securities business from offices at 137 West Oak Street. G. Wayne Ballah is a principal of the firm.

Now J. I. Ferrell Inv.

MARION, Va.—Jane I. Ferrell is continuing the investment business of Ferrell & Ferrell, Center Building, under the firm name of Jane I. Ferrell Investments.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

THE CONTINENTAL INSURANCE COMPANY

This member of the America Fore insurance fleet opened its doors to the public in 1853 with a capital of $500,000. New York was recovering from two catastrophic fires, those of 1835 and 1845, and insurance was difficult to obtain in 1848 as there were but 17 fire companies in the city, and after major losses carriers were loath to accept any but the better risks.

At around the same time several other insurance companies were organized, in 1850 Niagara Fire Insurance Company, and in 1853 Fidelity Insurance Company of Brooklyn. In due course these units were to be added to the America Fore fleet, Phenix first having merged with Fidelity Fire Insurance Company, to make the present Fidelity Phenix, in 1910. The first risks assumed by underwriters were those arising from the perils of the sea. Then came the writing of coverage against fire and lightning. Finally a departure from strictly property insurance came, and we had the casualty company with its numerous lines. This development brought to the fleet the present Fidelity & Casualty Company, probably the largest and oldest New York State casualty writer.

There were several other members of the fleet, but consolidations have reduced the number to four; and today Continental Insurance and Fidelity Phenix each own a one-half interest in Niagara and Fidelity & Casualty. In process of consummation is a merger in which Continental will take over the Loyalty Group of companies, five in number, headed by Firemen's Insurance Company of Newark. This merger will bring Continental's premium volume to over $157 million, and assets to $295 million. The terms give the holders of Firemen's stock 17 shares of Continental for each 20 shares of Firemen's.

Among the catastrophic losses that Continental has weathered in its 104 years of existence were: the great Chicago fire of 1871 which bankrupted many companies; the Boston fire of 1872; the 1906 San Francisco fire which destroyed 28,000 structures and cost the insurance companies $225 million; three great wind storms of hurricane force beginning with 1938; and the devastating storm of 1950 which cost Continental some $7 million in losses.

Continental and its affiliates write practically all forms of coverage, except life. On the basis of premium volume fire accounts for about 26%; extended coverage 9%; auto liability 15%; auto physical damage 9%; auto property damage 7%; workmen's compensation 10%; liability (other than auto) 6%.

Excluding the Firemen's merger, capital consisted of 5,000,000 shares of $5 par value. The merger plans provide for a total of 6,700,000 shares; and the America Fore fleet will become one of the few very large multiple-line groups in the business. Both Continental and Firemen's have very large agency plants.

ANNUAL STATEMENT
December 31, 1956

Assets		Liabilities	
Bonds & Stocks	$399,661,465	Unearned Prem.	$72,431,173
Real Estate	289,670	Losses in Process of Adjustment	14,221,474
Agents' Balances	16,990,697	Reserve for Re Ins.	2,201,205
Interest Accrued	476,754	Reserve, Taxes, Exp.	2,062,000
Cash, and in Banks	7,205,024	Reserve, Other Liab.	2,794,986
All Other Assets	7,709,493	Capital	25,000,000
		Surplus	304,792,497
		Contingency Reserve	8,829,768
	$432,333,103		$432,333,103

A break-down of these assets gives the following distribution for the past full calendar years:

	Cash & U. S. Gov'ts	Other Bonds	Pref. Stocks	Common Stocks	Other Assets
1952	13.1%	17.3%	1.9%	58.0%	9.7%
1953	15.9	18.0	2.3	55.2	8.6
1954	17.2	20.8	3.0	50.7	8.3
1955	22.0	20.5	3.9	44.4	9.2
1956	22.0	18.5	4.3	48.0	7.2

Thus the trend, as the bull market in stocks progressed, was for Continental to do some shifting from equities to fixed income media (bonds and preferred stocks in this case). A program of this nature is difficult to handle for a company of Continental's size, for their holdings of common stocks are large in most cases and not easily liquidated without disturbing the market. As the large insurance companies adhere to the better grade securities generally, on the other side of the shift to fixed income securities we find Continental adding bonds, undoubtedly of better quality, in a declining market. This shift to bonds had another beneficial aspect. The past several years has seen mounting underwriting losses in the fire-casualty industry, and under this condition fixed income securities constitute a better safeguard than do equities.

TEN-YEAR STATISTICAL RECORD—PER SHARE*

	Liq. Value	Und. Result	Invest. Income	Federal Taxes	Net Earn.	Div.	—Price Range— High	Low
1947	$25.25	$0.56	$1.16	$0.07	$1.65	$0.80	22⅛	17⅝
1948	26.77	1.24	1.29	0.30	2.23	1.06	25¾	19⅜
1949	31.76	2.36	1.44	1.00	2.80	0.88	31⅜	22¾
1950	38.07	0.84	1.67	0.70	1.81	1.40	35¼	25¼
1951	41.68	1.04	1.71	0.57	2.12	1.50	39	32⅛
1952	45.67	1.09	1.75	0.83	2.01	1.40	40¾	34⅜
1953	44.73	0.78	1.79	0.43	2.14	1.47	41¼	33½
1954	59.76	0.15	1.85	0.21	1.79	1.50	51	36
1955	68.81	0.61	1.90	0.49	2.02	1.625	55	43
1956	72.23	—0.45	2.33	a0.04	1.92	2.00	58⅜	43

*Adjusted for 20% dividend in stock in 1950, and for split of 2-for-1 in 1956. a Credit.

In this decade the company has had an unrealized appreciation in the value of its assets of $38.77, net.

Its ratio of underwriting profit to earned premiums runs somewhat higher than the industry's. The ten-year average underwriting profit margin (through 1956) consolidated, was well above the industry's 4.4%, while the company ran a low average expense ratio. Its exposure is very low, 0.38 to 1. The ratio of gain to the stockholder in the decade to the Dec. 31, 1946, price of the stock was 307%; and to the liquidating value at the same date 235%, considerably above the industry showing.

The present dividend is $2 annually, payable quarterly, and with the stock selling at present around 42½, the yield is about 4.7%. The unbroken dividend record goes back to the time of organization. Some $176 million have been disbursed in cash; $18 million in stock.

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The State of Trade and Industry

year. While automobile dealers reported a moderate decrease from the prior week in the buying of new passenger cars, sales of used models were steady.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 5 to 1% below a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: West North Central States +2 to +6%; West South Central and New England 0 to +4%; Mountain —1 to +3%; East South Central —2 to +2%; East North Central and South Atlantic —4 to 0%; Pacific Coast —6 to —2% and Middle Atlantic States —14 to —10%.

While interest in traditional gifts, glassware and china climbed appreciably, volume in linens, draperies and floor coverings was close to that of the preceding week. Despite a slight rise in purchases of dining room furniture, overall sales of furniture lagged. Major appliance dealers reported moderate declines in the buying of refrigerators, automatic laundry equipment and television sets. Although sales of toys and dolls improved, volume was slightly less than a year ago.

Declines in dresses, coats and suits held total sales of women's apparel below comparable year ago levels despite rising volume in fashion accessories. Haberdashers reported gains in furnishings and sportswear, but the call for overcoats and suits sagged. Purchase of children's clothing were equal to those of last year.

Food buying at retail showed a little change from the prior week. Best-sellers were canned goods, frozen foods, and fresh meat.

Retailers in New York City reported sharp year-to-year declines in trade due to the extended subway strike, while sales in suburban stores were substantially higher than a year ago. Retail volume in Los Angeles, Pittsburgh and Toledo were also curtailed by transit strikes.

In an attempt to replenish depleted stocks, retailers increased their re-orders for women's winter dresses, coats and fashion accessories a week ago. Wholesalers reported a moderate gain from preceding week in purchases of men's topcoats, suits and furnishings.

There was another decline in textile activity in most major wholesale markets. Except for some scattered orders for print cloths and broadcloths, interest in cotton gray goods lagged. Transactions in woolens and worsteds diminished during the week, but trading in carpet wool was sustained at the level of a week earlier. A slight gain occurred in the buying of industrial fabrics, but volume was below expectations.

Attracted by openings in New York, buyers stepped up their orders for draperies despite rainy weather. There was a slight rise in the call for linens and floor coverings. Interest in gifts, glassware and china climbed again, while sales of housewares were sluggish. Wholesalers reported a continued rise in volume in lamps and lighting fixtures, while interest in television sets and major appliances was unchanged.

Wholesale food buying slackened during the week. Declines occurred in purchases of butter, cheese, eggs and poultry, offsetting gains in fresh meat and fresh produce. Trading in flour, baked goods, frozen foods and rice was close to that of the preceding week.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Dec. 7, 1957 decreased 5% below the like period last year. In the preceding week, Nov. 30,* 1957 a decrease of 19% (revised) was reported. For the four weeks ended Dec. 7, 1957 a decline of 7% was reported. For the period Jan. 1, 1957 to Dec. 7, 1957 no change was recorded from that of 1956.

Retail Trade sales volume in New York City the past week declined about 15% compared with the like period a year ago, trade observers estimate.

The subway strike and bad weather contributed heavily to the lower volume.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Dec. 7, 1957 decreased 7% under that of the like period last year. In the preceding week, Nov. 30,* 1957 a decrease of 22% was reported. For the four weeks ending Dec. 7, 1957 a decrease of 6% was registered. For the period of Jan. 1, 1957 to Dec. 7, 1957 the index registered an increase of 1% above that of the corresponding period of 1956.

*Comparisons are affected by the fact that Thanksgiving Day was one week later this year than last.

Continued from page 21

News About Banks & Bankers

1930. After seven years, he was made Manager of the Investment Analysis Department and elected a Vice-President in 1944.

* * *

By the sale of new stock, the common capital stock of **The First National Bank and Trust Company in Steubenville, Ohio,** was increased from $1,000,000 to $1,375,000 effective Dec. 4. (Number of shares outstanding — 137,500 shares, par value $10).

* * *

The National Bank of Lima, Lima, Ohio, with common stock of $750,000; and **The Citizens and Farmers Bank of Spencerville, Spencerville, Ohio,** with common stock of $50,000, consolidated effective as of Nov. 30. The consolidation was effected under the charter of The National Bank of Lima and under the title **First National Bank and Trust Company of Lima.**

At the effective date of consolidation the consolidated bank will have capital stock of $1,000,000, divided into 100,000 shares of common stock of the par value of $10 each; surplus of $1,000,000; and undivided profits of not less than $612,325.

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Paul L. Boardman was elected Vice-President of the **American Fletcher National Bank & Trust Co., Indianapolis, Ind.**

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Three new Vice-Presidents and a number of other promotions in the official staff of **Harris Trust and Savings Bank, Chicago, Ill.,** were announced by President Kenneth V. Zwiener after the bank's board meeting on Dec. 11.

New Vice-Presidents are Robert R. Blackburn, trust department, and Ellsworth A. Handy and Henry S. Kahn, banking department. All were formerly Assistant Vice-Presidents.

Milton C. Burkhart, Vice-President, was transferred from banking administration, where he has been Vice-President and Cashier, to the general division, where he will have responsibilities for new construction, leasing and related matters. Charles C. Looney, formerly Vice-President in the general division, becomes operating Vice-President of the banking department and Chairman of the bank's operating committee.

Delbert N. Urick, formerly Vice-President and Auditor, becomes Vice-President and Comptroller. Maurice K. Heald, Vice-President, will be responsible for general service departments and the operations research department.

Arthur E. Urick was promoted from Assistant Vice-President to Cashier, and Raymond J. Coakley from Assistant Auditor to Auditor. New Assistant Vice-Presidents are Charles S. Connell and John A. Kuhn, both formerly Assistant Secretaries in the trust department.

New Assistant Cashiers are Edward K. Aldwort, William L. Kaufman and Harvey R. Untiedt. Charles D. Wesselhoeft was named Assistant Comptroller, promoted from Assistant Auditor.

Newly appointed Sales Managers in the Harris Bank investment department are James J. Carlton, a St. Louis representative for the department, and Robert M. Schaller. Peter J. Brennan was named Assistant Trust Counsel in the trust department.

Other new assignments were given to Robert J. Schumann, Assistant Vice-President, transferred to banking department-operations; and Arthur T. Wellman, Assistant

Secretary, transferred to trust department operations.

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Luther C. Dilatush was promoted to Vice-President in the investment trust department of the **American National Bank & Trust Co., Chicago, Ill.**

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Robert J. Zimmer, Vice-President of **North Shore National Bank of Chicago,** was elected Vice-President of the **First National Bank, Mason City, Iowa.**

* * *

Citizens State Bank, Sheboygan, Wis., and **Bank of Sheboygan, Sheboygan, Wis.,** merged under charter of Citizens State Bank and new title **Citizens Bank of Sheboygan, Wis.**

* * *

National Bank of Commerce of Lincoln, Neb., increased its common capital stock from $1,250,000 to $1,375,000 by a stock dividend and from $1,375,000 to $1,500,000 by the sale of new stock effective Dec. 3. (Number of shares outstanding—75,000 shares, par value $20.)

* * *

First National Bank & Trust Co., Tulsa, elected W. L. Kendall Senior Vice-President. J. R. Forrester, John B. Kiper, Louis F. Gammon, Ted R. O'Shea and Oneal Netherland were appointed Vice-Presidents.

* * *

American Trust Company, Charlotte, N. C., and **The Commercial National Bank, Charlotte, N. C.,** merged under charter of American Trust Company and new title **American-Commercial Bank.** The three branches formerly operated by the discontinued bank will be operated as branches by the continuing bank.

* * *

Mercantile National Bank, Dallas, Texas, elected J. D. Francis, Senior Vice-President, an Executive Vice-President, R. L. Thornton, Senior Vice-President, and David M. Bernardin, Horace C. Lemons, Hulon A. Lofman, and Webb Pyeatt, formerly Assistant Cashiers, as Assistant Vice-Presidents.

* * *

Formal approval by the Comptroller of the Currency, Washington, D. C., recently made effective an increase in total capitalization of the **Republic National Bank of Dallas, Texas,** including contingency reserves, to more than $102,000,000, it was announced jointly by Karl Hoblitzelle, Chairman of the Board, Fred F. Florence, Chairman, Executive Committee, and James W. Aston, President. Previous items relating to the increase in capitalization appeared in the Nov. 21 issue of the Chronicle, page 2232, and the Nov. 28 issue, page 2338.

* * *

Colorado National Bank, Denver, Colo., elected Harold Kountze President to succeed the late George B. Berger, Jr. Mr. Kountze will continue to serve as Chairman, a position he has held since 1955. Merriam B. Berger was appointed Executive Vice-President.

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Kenneth E. Brewster was named Assistant Cashier of the **American National Bank, Denver, Colo.,** at the December meeting of the bank's Board of Directors. Mr. Brewster has been associated with the bank for the past 17 years.

* * *

Stockholders of three Salt Lake City banks, holding separate meetings on Dec. 11, voted to merge **Zion's Savings Bank and Trust Company** and the **Utah Savings Bank and Trust Company** into the **First National Bank of Salt Lake City.** The resultant institution will be called **Zion's First National Bank.**

In addition, stockholders of First National added four new directors to their former 16-member board of directors and approved establishment of branch offices at the present locations of the merging Zion's Savings and Utah Savings.

After completing action on the merger and related items, the stockholders' meetings of the three banks recessed pending final formal approval of the merger by the United States Comptroller of the Currency. Final action on the merger will be taken at a special meeting on Dec. 27, with Dec. 31 set as the effective date for the merger of the three institutions.

The new directors named to the board of the First National Bank of Salt Lake City are Joseph Fielding Smith, Donald P. Lloyd, Virgil H. Smith, and L. R. Weber.

Zion's Savings was established in 1873; Utah Savings and Trust in 1889, and the First National Bank of Salt Lake City had its formal beginnings in 1890.

Details of the proposed merger were given in the Dec. 5 issue of the 'Chronicle," page 2442.

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J. P. R. Wadsworth, General Manager of **The Canadian Bank of Commerce, Toronto, Ontario,** has been elected a Vice-President and Director of the bank, it was announced on Dec. 12.

J. P. R. Wadsworth

* * *

Elliott McAllister, Chairman of the Board of **The Bank of California, N. A., San Francisco, Calif.,** on Dec. 10 announced the appointments of Berrien P. Anderson, Jr. and Wilbur J. Williams as Assistant Vice-Presidents, Glenn K. Mowry as Comptroller, and Gordon R. Yeadon, Assistant Trust Officer at the bank's Seattle, Wash. office to Assistant Trust Officer at the San Francisco Head Office.

Appointed Assistant Cashiers were John M. Vandall of San Francisco Mission Office, Ian B. Coffin, Oakland Office and Theodore C. Tegler at the Seattle, Wash., Office.

Mr. Anderson has been serving as Assistant Cashier and Loan Officer at the bank's Head Office since his appointment to that position in 1953.

Mr. Williams is Personnel Officer and has been with the bank since 1928 and was appointed Assistant Cashier in 1949.

Mr. Yeadon has been a member of the staff since 1930. He was appointed Assistant Trust Officer in 1952.

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The Bank of California, N. A. San Francisco, Calif., opened its new San Jose office on Dec. 16 at 2nd and San Carlos Streets. This becomes the bank's 16th office and the sixth to be opened since the first of this year.

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Max B. Horn, William E. Reichenbach and Leo E. Smith were elected Vice-Presidents of the **California Bank, Los Angeles.**

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Frank L. King, President of **California Bank, Los Angeles, Calif.,** has announced the election of three Vice-Presidents.

Elected Vice-Presidents by the Board of Directors were Max B. Horn and William E. Reichenbach, city division, and Leo E. Smith, head of the bank's Atlantic-Whittier Office.

Mr. Horn is in charge of coordinating public relations activities for California Bank's nine Orange County offices. He joined the staff of the bank in 1951, was elected an Assistant Cashier in 1953, and Assistant Vice-President in 1954.

He was formerly associated with the **First National Bank, Hay Springs,** as Executive Vice-President.

Mr. Reichenbach came with California Bank in September of this year and has assumed duties in the city division at the Head Office in Los Angeles. From 1937 until he joined California Bank, he had been associated with **Manufacturers Trust Company, New York,** and held the title of Assistant Vice-President.

Mr. Smith is a veteran of 17 years service with California Bank. He joined the staff as a specialist in real estate lending following several years in the real estate business. His assignment at the Atlantic-Whittier Office began in 1945 and in 1947 he was elected an Assistant Vice-President of the bank.

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Bank of Los Angeles, at Westwood, Los Angeles, Calif. was absorbed by **First Western Bank and Trust Company, San Francisco, Calif.** A branch was established in the former location of Bank of Los Angeles, at Westwood.

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By a stock dividend, the common capital stock of **The National Bank of Commerce of Seattle, Wash.** was increased from $6,000,000 to $8,800,000 effective Dec. 5. (Number of shares outstanding—100,000 shares, par value $80.)

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The common capital stock of the **National Bank of Washington, Tacoma, Wash.** increased its common capital stock from $4,482,812.50 to $5,200,062.50 by a stock dividend effective Dec. 6. (Number of shares outstanding—416,005 shares, par value $12.50.)

Consolidated Cement Debentures Offered

Public offering of $5,000,000 Consolidated Cement Corporation 5% sinking fund debentures, due Dec. 1, 1972, at 100% and accrued interest from Dec. 1, 1957, is being made today (Dec. 19) by an underwriting syndicate headed by Merrill Lynch, Pierce, Fenner & Beane.

Net proceeds from the sale of the debentures will be used by the company principally to retire $4,000,000 outstanding term loan notes, incurred in connection with the expansion of its facilities at Paulding, Ohio. The balance of the proceeds will be used to restore working capital previously expended on this expansion program.

The debentures are entitled to a sinking fund sufficient to retire, at their principal amount plus accrued interest, $380,000 of debentures on Dec. 1, 1960 through 1971, or approximately 91% of the total amount of debentures, prior to maturity. The debentures also will be redeemable at optional redemption prices ranging from 105% to 100%, plus accrued interest, except that until Dec. 1, 1967, no such redemption may be made out of funds borrowed for that purpose having an interest cost to the company of less than 5% per year.

Consolidated Cement Corp., owns and operates three cement manufacturing plants in Kansas, Michigan and Ohio. The usual types of portland cements represented over 98% of the company's total shipments in 1956 and the first nine months of 1957. The aggregate rated annual productive capacity of the company's present plants is 4,750,000 barrels, and an expansion project at the Ohio plant, expected to be completed in the first quarter of 1958 will increase such capacity by 1,250,000 barrels to an aggregate of 6,000,000 barrels of cement.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering today (Dec. 19) $3,705,000 of Northern Pacific Ry. 3⅞% serial equipment trust certificates maturing annually Jan. 9, 1959 to 1973, inclusive, at prices to yield from 3.75% to 3.875%. Award of the certificates was won by the group at competitive sale yesterday (Dec. 18) on a bid of 99.22%.

Issuance and sale of the certificates is being made subject to approval of the Interstate Commerce Commission.

The certificates are secured by new standard-gauge railroad equipment estimated to cost not less than $4,648,750.

Associated in the offering are—Dick & Merle-Smith; R. W. Pressprich & Co.; Baxter & Co.; Freeman & Co.; Ira Haupt & Co.; McMaster Hutchinson & Co.; Wm. E. Pollock & Co., Inc., and Shearson, Hammill & Co.

With Thomson, McKinnon

(Special to The Financial Chronicle)

CHICAGO, Ill. — Kenneth H. Daegling is now affiliated with Thomson & McKinnon, 231 South La Salle Street. He was previously with Lamson Bros. & Co.

Droulia Partner

Julius L. Rendinaro will become a partner in Droulia & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 1.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Agricultural Marketing Association, Socorro, N. M.
Dec. 3 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For equipment; buildings and working capital. **Underwriter** —None.

★ Alden (Vern E.) Co.
Dec. 2 (letter of notification) 3,000 units of 10-year 12% employee participation certificates, series B, to be offered to employees and retired partners of the company. **Price**—At par ($50 per unit). **Proceeds**—For working capital. **Office**—33 North La Salle St., Chicago 2, Ill. **Underwriter**—None.

Allen (Walter H.) Co., Inc.
Nov. 4 (letter of notification) $150,000 of 10-year 6% unsecured debentures, due Nov. 1, 1967, to be offered to stockholders. **Price**—At par (in units of $1,000). **Proceeds** —For construction of a new addition to present building. **Office**—6210 Denton Drive, Dallas, Texas. **Underwriter** —None.

Allstate Commercial Corp., New York
Sept. 16 filed 256,300 shares of class A common stock (par one cent), of which 233,000 shares are to be sold for account of the company and 23,300 shares for the account of Ben Degaetano, President of the underwriter. **Price**—$1.50 per share. **Proceeds**—For working capital to be used in realty financing activities. **Underwriter**—Midland Securities, Inc., New York.

★ American Dynamics Corp., Maynard, Mass.
Dec. 12 (letter of notification) 20,500 shares of common stock (no par). **Price**—$7.35 per share. **Proceeds**—For working capital and general corporate purposes. **Office** —146 Main St., Maynard, Mass. **Underwriter**—None.

● American Hardware Corp., New Britain, Conn.
Nov. 5 filed 125,000 shares of common stock (par $12.50) being offered in exchange for not to exceed 250,000 shares of common stock of Savage Arms Corp. on the basis of one-half share of American (plus cash) for each Savage Arms share. The other is conditioned upon acceptance by holders of not less than 100,000 shares of Savage Arms stock not later than Dec. 23, 1957. **Underwriter**—None. Statement effective Dec. 9.

American Hospital & Supply Corp.
Nov. 29 (letter of notification) 1,300 shares of common stock (par $4). **Price**—At market (around $41 per share). **Proceeds**—For working capital. **Office**—2020 Ridge Ave., Evanston, Ill. **Underwriter** — Taylor, Rogers & Tracy, Inc., Chicago, Ill.

● American Israeli Paper Mills, Ltd. (12/20)
Oct. 29 filed 6,000,000 series B ordinary shares (par one Israel pound per share). **Price** — $1 per share, payable either in cash or in State of Israel bonds. **Proceeds**—For expansion program. **Office** — Hadera, Israel. **Underwriter**—Lee Higginson Corp., New York, on a best efforts basis.

American Life & Casualty Insurance Co.
Dec. 3 filed 101,667 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each two shares held; unsubscribed shares to be offered to public. **Price**—$10 per share. **Proceeds**—For capital and surplus accounts. **Office** —Fargo, N. D. **Underwriter**—None.

★ American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — Washington, D. C. **Underwriter**—None.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

Artesian Water Co
Oct. 15 (letter of notification) 3,404 shares of class A non-voting common stock (no par) being offered for subscription by common and class A common stockholders of record Dec. 2, 1957 on the basis of one new share of class A common stock for each eight shares of common stock and class A common stock; rights to expire Jan. 2, 1958. **Price**—$30 per share to stockholders; and $32 to public. **Proceeds**—To purchase assets of Collins Park Water Co.; Willow Run Water Co. and Sedgely Farms Water Plant; also to purchase additional storage tanks, water mains, etc. **Office** — 501 Newport & Gas Pike, Newport, Del. **Underwriter** — Laird, Bissell & Meeds, Wilmington, Del.

★ Autofloat Corp. of America
Dec. 9 (letter of notification) 500 shares of 6% non-voting non-cumulative preferred stock (par $100) to be offered in units of 10 shares each. **Price**—$1,000 per unit. **Proceeds**—For working capital and general corporate purposes. **Office**—312 N. Montgomery Avenue, Sheffield, Ala. **Underwriter**—None.

Bamm Corp., New York (12/23)
Nov. 29 (letter of notification) $300,000 of 6% 5-year convertible sinking fund debentures (subordinated) due Jan. 1, 1963 and 30,000 shares of common stock (par one cent) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$100 per unit. **Proceeds**—To retire bank loan and for working capital. **Business** — Manufactures and rents commercial coffee brewing machines. **Office**—515 Madison Ave., New York. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

Blacksmith Shop Pastries Inc., Rockport, Mass.
Sept. 17 (letter of notification) $100,000 of 6½% debentures dated Sept. 16, 1957 and due Sept. 15, 1972 and 40,000 shares of capital stock (par $1) to be offered in units of one $50 debenture and 20 shares of capital stock. **Price**—$90 per unit. **Proceeds**—To retire mortgage notes and for working capital. **Underwriter**—Mann & Gould, Salem, Mass.

Brantly Helicopter Corp., Philadelphia, Pa.
Nov. 25 (letter of notification) 21,818 shares of common stock (par 50 cents). **Price**—$13.75 per share. **Proceeds** —For equipment, supplies and working capital. **Offices** —24 Maplewood Ave., Philadelphia 44, Pa., and Frederick, Okla. **Underwriter**—None.

★ Cador Production Corp., Far Hills, N. J.
Dec. 16 filed 1,680,000 shares of common stock (par five cents), of which 1,600,000 shares are to be offered in exchange for oil properties located in Oklahoma, Texas, New Mexico, Louisiana, Kansas and elsewhere; the remaining 80,000 shares are to be issued as commissions. **Underwriter**—Cador, Inc., Far Hills, N. J.

● Cambridge Electric Light Co. (1/20)
Dec. 9 filed $4,500,000 of 30-year notes, series B, due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; and Coffin & Burr, Inc. and F. S. Moseley & Co. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EST) on Jan. 20.

Canada Mortgage Bonds, Ltd., Englewood, N. J.
Sept. 3 filed $1,000,000 of 8% mortgage bond trust certificates. **Price** — At par (in units of $250, $500 and $1,000). **Proceeds** — For purchase of mortgage bonds. **Underwriter**—None.

Canadian Prospect Ltd., Calgary, Canada
Sept. 27 filed 4,851,810 shares of common stock (par 16⅔ cents) to be offered in exchange for capital stock of Canadian Export Gas Ltd. on the basis of 2½ Canadian Prospect shares for each Canadian Export share, subject to acceptance by holders of at least 80% of Canadian Export shares outstanding. **Underwriter**—None. Statement effective Nov. 4.

★ Caribe Stores, Inc., Aguirre, Puerto Rico
Dec. 2 (letter of notification) 247,560 shares of common stock (par 50 cents) to be offered for subscription by common stockholders. **Price**—52 cents per share. **Proceeds**—For general corporate purposes. **Name Change**—Formerly Tybor Stores, Inc. **Underwriter** — Lerner & Co., Boston, Mass.

★ Central Electric & Gas Co.
Nov. 25 (letter of notification) 15,000 shares of common stock (par $3.50) to be offered to employees pursuant to Fourth Employees' Stock Purchase Plan. **Price**—Not less than $11 or more than $16 per share. **Proceeds**—To purchase shares in the open market. **Office**—144 South 12th Street, Lincoln, Neb. **Underwriter**—None.

Central Mortgage & Investment Corp.
Sept. 12 filed $5,000,000 of 20-year mortgage bonds and 500,000 shares of common stock (par five cents) to be offered in units of $100 of bonds and 10 shares of stock. **Price**—$100.50 per unit. **Proceeds**—For purchase of first mortgages or to make first mortgage loans and for construction business. **Office**—Miami Beach, Fla. **Underwriter**—Aetna Securities Corp., New York. **Offering**—Date indefinite.

Champion Industries, Inc.
Nov. 7 (letter of notification) 75,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—For development and engineering expenses, raw materials and working capital. **Business** — Jalousies, storm windows, screens, etc. **Office** — 22 Jericho Turnpike, Mineola, N. Y. **Underwriter**—Allstate Securities Inc., 80 Wall St., New York.

Chess Uranium Corp.
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York. **Offering**—Expected at any time.

Chicago Title & Trust Co.
Oct. 24 filed 23,907 shares of common stock (par $20) being offered in exchange for common stock of Title Insurance Corp. of St. Louis at the rate of five-eighths of one share of Chicago Title stock for each Title Insurance share. The exchange offer is subject to acceptance by 30,600 shares (80%) of the 38,250 Title Insurance shares outstanding. The offer will expire on Dec. 23. **Underwriter**—None. Statement effective Nov. 21.

Colonial Aircraft Corp., Sanford, Me.
July 5 filed 248,132 shares of common stock (par 10¢). **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—Glick & Co., Inc., New York. Statement effective Aug. 10.

Columbus Electronics Corp.
Nov. 13 (letter of notification) 110,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For working capital. **Office**—1010 Sawmill River Road, Yonkers, N. Y. **Underwriter**—To be furnished by amendment.

★ Colombia (Republic of) and Banco de la Republica (Colombia)
Dec. 13 filed $15,000,000 of 4% notes dated March 1, 1957 to be issued in liquidation of claims owing to United States banks and exporters as of Dec. 31, 1956 by payment of such claims of 60% in cash and 40% in notes. The offer will expire on March 31, 1958, unless extended. **Underwriter**—None.

★ Columbus & Southern Ohio Electric Co. (1/7)
Dec. 16 filed $14,000,000 of first mortgage bonds due 1988. **Proceeds**—To reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc. and The Ohio Company (jointly); Lee Higginson Corp. and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and Glore, Forgan & Co. (jointly); White, Weld & Co.; Lehman Brothers. **Bids** —Expected to be received up to 11 a.m. (EST) on Jan. 7 at City Bank Farmers Trust Co., New York.

★ Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Expected in January.

Commercial Credit Co.
Oct. 10 filed $50,000,000 senior notes due Nov. 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—To increase working capital. **Underwriters**—The First Boston Corp. and Kidder, Peabody & Co., both of New York. **Offering**—Indefinitely postponed.

★ Continental Mining & Oil Corp.
Dec. 9 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—1500 Massachusetts Avenue, N. W., Washington, D. C. **Underwriter**—E. L. Wolfe Associates, Washington, D. C.

★ Continental Steel Corp.
Dec. 3 (letter of notification) not to exceed 1,000 shares of common stock (par $14). **Price**—At market approximately $35 per share. **Proceeds**—To stockholders entitled to receive fractional shares in connection with 3% stock dividend paid to stockholders of record Nov. 29. **Office**—1109 South Main Street, Kokomo, Ind. **Underwriter**—None.

Cooperative Grange League Federation, Inc.
Sept. 27 filed $600,000 of 4% subordinated debentures due Jan. 1, 1966; 10,000 shares of 4% cumulative preferred stock par $100; and 150,000 shares of common stock (par $5). **Price**—At principal amount or par value. **Proceeds**—To finance inventory purchases, to make capital loan advances to retail subsidiaries; to reduce bank loans; and for working capital. **Office** — Ithaca, N. Y. **Underwriter**—None.

Cubacor Explorers, Ltd.
Oct. 28 (letter of notification) 600,000 shares of common stock (par $1-Canadian). **Price**—50 cents per share-U. S. funds. **Proceeds** — For exploration and drilling costs. **Office** — Suite 607, 320 Bay St., Toronto, Ont., Canada. **Underwriter**—Stratford Securities Co., Inc., 135 Broadway, New York.

● Dalton Finance, Inc., Mt. Rainier, Md. (12/24)
Nov. 27 filed $500,000 of 7% subordinated 10-year debentures due Jan. 2, 1968 (with warrants attached). **Price**—At par (in denominations of $100 each). **Proceeds**—For expansion, making of loans and to reduce short-term debt. **Underwriter** — McDonald, Holman & Co., Inc., New York.

Daybreak Uranium, Inc., Opportunity, Wash.
May 7 filed 631,925 shares of common stock (par 10 cents). **Price** — At market (approximately 53 cents per share). **Proceeds**—To selling stockholders. **Underwriter** Herrin Co., Seattle, Wash.

DeLuxe Check Printers, Inc.
Aug. 28 (letter of notification) 25,000 shares of common stock (par $1) to be offered to employees and present stockholders. **Price**—$11.80 per share. **Proceeds**—To acquire new machinery and equipment. **Office** — 530 N. Wheeler St., St. Paul 4, Minn. **Underwriter**—None.

Disc, Inc., Washington, D. C.
Oct. 10 filed 400,000 shares of class A common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For investment. **Business**—Purchase and development of real property, and acquisition of stock of business enterprises. **Underwriter**—None. Irving Lichtman is President and Board Chairman.

Doctors' Motels, Inc., Kansas City, Kan.
Oct. 25 filed 500,000 shares of common stock, of which 426,497 shares are to be offered publicly, 39,568 shares are to be offered in exchange for $432,055 outstanding 6% debentures, 3,085 shares are to be issued as a stock dividend and 30,850 shares are presently outstanding. **Price** —At par ($15 per share). **Proceeds**—For construction and operation of motels and to repay bank loans. **Underwriter**—None.

Dow Chemical Co.
Nov. 25 filed 84,121 shares of common stock (par $5), issuable upon conversion of the $4,000,000 4% subordinated convertible debentures due June 1, 1980, originally issued by The Dobeckmun Co., the liability of which was assumed by Dow Chemical Co. as of Aug. 31, 1957. These debentures are held by three insurance companies.

● Duraloy Co., Scottdale, Pa. (12/26)
Nov. 12 filed 69,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For modernization and improvements. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York.

● Durox of Minnesota, Inc., Denver, Colo.
Sept. 23 filed 750,000 shares of common stock (par $1) **Price**—$2 per share. **Proceeds**—For capital expenditures and working capital. **Business** — Building material. **Underwriter**—American Underwriters, Inc., Englewood, Colo. Statement effective Dec. 11.

Electro Precision Corp., Arkadelphia, Ark.
Oct. 30 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For office and laboratory equipment; inventory, working capital, etc. **Underwriter**—Nunn-Groves Co., Little Rock, Ark.

Ex-Cell-O Corp., Detroit, Mich.
Nov. 25 filed 88,000 shares of common stock (par $3) to be offered in exchange for common stock of Bryant Chucking Grinder Co. of Springfield, Va., at rate of four-tenths of an Ex-Cell-O share for each full Bryant share. Offer will become effective upon acceptance by holders of not less than 209,000 shares (95%) of all common stock of Bryant outstanding. **Underwriter**—None.

Expanded Shale Products Inc.
Nov. 26 (letter of notification) 60,000 shares of common stock (par $1) and $180,000 of 6% redeemable debentures maturing Dec. 15, 1967. **Price**—Of stock, $2 per share; of debentures, at par. **Proceeds**—For exploring and developing mineral properties with objective of producing expanded shale. **Office**—728-29 Symes Bldg., Denver 2, Colo. **Underwriter**—Minor, Mee & Co., Albuquerque, N. M.

Famous Virginia Foods Corp.
Nov. 6 (letter of notification) 5,000 shares of common stock. **Price**—$6.67 per share. **Proceeds**—To selling stockholder. **Office**—922 Jefferson St., Lynchburg, Va. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

First International Fire Insurance Co.
Aug. 26 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For capital and surplus and for first year's deficit. **Office**—3395 S. Bannock St., Englewood, Colo. **Underwriter** — American Underwriters, Inc., Englewood, Colo.

First Leaseback Corp., Washington, D. C.
Nov. 27 filed 500,000 shares of class A common stock (par five cents). **Price** — $5 per share. **Proceeds** — To purchase properties. **Underwriter** — Whitmore, Bruce & Co., Washington, D. C.

First National Life Insurance Co., Phoenix, Ariz.
July 29 filed 106,500 shares of common stock (par $4), of which 90,000 shares are to be offered publicly and 16,500 shares to employees pursuant to stock purchase options. **Price**—To public, $12 per share. **Proceeds**—For expansion and other corporate purposes. **Underwriter**—None.

Fluorspar Corp. of America
Nov. 12 filed $1,400,000 aggregate market value of common stock (number of shares to be supplied by amendment). **Price**—Also to be supplied by amendment. **Proceeds**—To finance additional exploration work on mining properties and to provide working capital. **Office**—Portland, Ore.

Food Fair Properties, Inc.
Nov. 12 filed 2,499,116 shares of common stock (par one cent) being offered for subscription by common stockholders of record December 6, 1957, on the basis of one new share for each two shares held; rights to expire on Dec. 20, 1957. **Price**—$2 per share. **Proceeds**—To repay bank loans and for real estate operations and financing. **Underwriter**—Eastman Dillon, Union Securities & Co., New York. Food Fair Stores, Inc., owner of about 45% of the outstanding common stock, has indicated that it intends to exercise its subscription rights.

Ford Home Leases, Inc. (12/20)
Nov. 29 (letter of notification) $250,000 of 6% subordinated debentures due Jan. 1, 1968 and 12,500 shares of class A common stock (par $1) to be offered in units of a $100 debenture and five shares of stock. **Price**—$100 per unit. **Proceeds**—To repay $90,000 of notes and for general corporate purposes. **Business**—Financing of homes. **Office** — McDonough, N. Y. **Underwriter** — Philipson & Co., Utica, N. Y.

★ Ford Motor Co., Dearborn, Mich.
Dec. 17 filed $60,000,000 of participations in the company's Savings and Stock Investment Program for Salaried Employees, together with 1,500,000 shares of company's common stock issuable under said program.

● Forest Laboratories, Inc.
Aug. 28 filed 200,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—Alfred L. Powell Co., New York; and H. Carroll & Co., Denver, Colo. **Offering**—Expected in near future.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). **Bids** — Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Automatics Corp., Atlanta, Ga.
May 23 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To establish production facilities for manufacture and assembly of controls; and for other corporate purposes. **Address**—c/o Positronic Corp., 2572 Ridgemore Road, N. W., Atlanta, Ga. **Underwriters**—Armstrong & Co., Atlanta, Ga.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers. Application is still pending with SEC.

General Parking, Inc.
June 18 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To retire outstanding debt; for expansion of subsidiary corporation and for working capital. **Office**—c/o Edwin F. Clements, 5312 Glenwood Ave., Youngstown, Ohio. **Underwriter**—L. L. LaFortune & Co., Las Vegas, Nev.

Genie Craft Corp.
Aug. 8 (letter of notification) $100,000 of 10-year 6% convertible debentures and 120,000 shares of common stock (par 10 cents) to be offered in units of one $50 debenture and 20 shares of common stock. **Price**—$100 per unit. **Proceeds**—To discharge short term obligations; purchase merchandise inventory; and for working capital. **Office** — 1022 18st St., N. W., Washington, D. C. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

★ Genisco, Inc., Los Angeles, Calif.
Dec. 13 (letter of notification) 4,290 shares of common stock (par $1) to be issued to employees pursuant to exercise of options granted Dec. 20, 1956. **Price**—$7.75 per share. **Proceeds**—For working capital. **Office**—2233 Federal St., Los Angeles, Calif. **Underwriter**—None.

Gold Seal Dairy Products Corp.
Oct. 25 filed 175,000 shares of class A stock (par 10 cents) of which 15,000 shares are to be reserved for prior offer to employees. **Price** — To be supplied by amendment. **Proceeds**—To acquire outstanding stock of Kulka Electric Manufacturing Co., Inc. **Office**—Elizabeth, N. J. **Underwriter**—Amos Treat & Co., Inc., New York. **Offering**—Indefinitely postponed.

Great Divide Oil Corp.
Oct. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To pay balance on oil and gas properties, and unsecured notes and for drilling and working capital. **Office**—207 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Great Northern Life Insurance Co.
Oct. 7 (letter of notification) 44,400 shares of common stock (par $1). **Price**—$6.75 per share. **Proceeds**—For capital stock and unassigned surplus. **Office** — 119 W. Rudisill Blvd., Fort Wayne, Ind **Underwriter**—Northwestern Investment Inc., Fort Wayne, Ind.

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NEW ISSUE CALENDAR

December 20 (Friday)
American Israeli Paper Mills, Ltd.___Series B ord.
(Lee Higginson Corp.) $6,000,000
Ford Home Leases, Inc.____Debentures & Common
(Philipson & Co.) $250,000
Litecraft Industries, Ltd.________________Debentures
(P. W. Brooks & Co., Inc.) $500,000
Litecraft Industries Ltd.________________Common
(P. W. Brooks & Co., Inc.) $250,000

December 23 (Monday)
Bamm Corp.________________Debentures & Common
(Willis E. Burnside & Co. Inc.) $300,000

December 24 (Tuesday)
Dalton Finance, Inc.______________________Debentures
(McDonald, Holman & Co., Inc.) $500,000

December 26 (Thursday)
Duraloy Co. _________________________Common
(Mortimer B. Burnside & Co., Inc.) 69,000 shares
Sovereign Resources, Inc.__________________Preferred
(Reilly, Hoffman & Sweeney, Inc.) $150,000

Janurary 3, 1958 (Thursday)
Wisconsin Southern Co., Inc.________________Common
(Offering to common stockholders—underwritten by the Milwaukee Co.; Harley, Hayden & Co.; and Bell & Farrell, Inc.) $309,232

January 7, 1958 (Tuesday)
Columbus & Southern Ohio Electric Co.____Bonds
(Bids 11 a.m. EST) $14,000,000
Minnesota Mining & Manufacturing Co.__Common
(Goldman, Sachs & Co.; Kidder, Peabody & Co.; and Piper, Jaffray & Hopwood) 115,000 shares

January 8, 1958 (Wednesday)
Chicago, Burlington & Quincy RR.__________Bonds
(Bids to be invited) $24,500,000
Pittsburgh & Lake Erie Ry.___ Equip. Trust Ctfs.
(Bids to be invited) $3,975,000

January 9, 1958 (Thursday)
Chicago, Rock Island & Pacific RR.
Equip. Trust Ctfs.
(Bids to be invited) $4,620,000
Connecticut Light & Power Co.______________Bonds
(Putnam & Co.; Chas. W. Scranton & Co.; and Estabrook & Co.) $30,000,000
Washington Water Power Co._____Bonds & Debens.
(Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co.; and Laurence M. Marks & Co.) $30,000,000

January 14, 1958 (Tuesday)
Chicago, Burlington & Quincy RR.__Equip. Tr. Ctfs.
(Bids to be invited) $4,500,000
Commonwealth Edison Co._______Bonds Debentures
(Bids to be invited) $50,000,000

January 15, 1958 (Wednesday)
Missouri Pacific RR._____________Equip. Trust Ctfs.
(Bids to be invited) $3,450,000
Pacific Power & Light Co.____________________Bonds
(Bids 8:30 a.m. PST) $15,000,000
Pacific Power & Light Co.__________________Preferred
(Bids 8:30 a.m. PST) $10,000,000

January 16, 1958 (Thursday)
Alabama Power Co._________________________Bonds
(Bids 11 a.m. EST) $23,000,000

January 17, 1958 (Friday)
Royal Dutch Petroleum Co._______________Common
(Offering to stockholders—to be underwritten in U. S. by Morgan Stanley & Co.) between $200,000,000 and $250,000,000

January 20, 1958 (Monday)
Cambridge Electric Light Co._________________Notes
(Bids 11:30 a.m. EST) $4,500,000
West Texas Utilities Co.____________________Bonds
(Bids to be invited) $8,500,000

January 21, 1958 (Tuesday)
Pacific Gas & Electric Co.____________________Bonds
(Bids to be invited) $60,000,000

January 22, 1958 (Wednesday)
Iowa Power & Light Co.______________________Bonds
(Bids to be invited) $10,000,000
Norfolk & Western Ry.__________Equip. Trust Ctfs.
(Bids noon EST) $4,140,000
Portland Gas & Coke Co.___________________Preferred
(Lehman Brothers) $5,000,000

January 23, 1958 (Thursday)
Baltimore & Ohio RR.______________Equip. Trust Ctfs.
(Bids to be invited) $3,435,000
Great Northern Ry._____________Equip. Trust Ctfs.
(Bids to be invited) $5,700,000

February 4, 1958 (Tuesday)
Central Power & Light Co.___________________Bonds
(Bids to be invited) $12,000,000

February 7, 1958 (Friday)
American Telephone & Telegraph Co.__Debentures
(Offering to stockholders—no underwriting) about $720,000,000

February 13, 1958 (Thursday)
Indiana & Michigan Electric Co.____________Bonds
(Bids 11 a.m. EST) $25,000,000

February 14, 1958 (Friday)
Shell Transport & Trading Co., Ltd._____Common
(Offering to common stockholders—underwritten by Morgan Grenfell & Co., Ltd., etc.) $112,000,000 to $154,000,000

February 18, 1958 (Tuesday)
Gulf States Utilities Co.__________________Preferred
(Bids to be invited) $7,500,000

February 19, 1958 (Wednesday)
Northern Illinois Gas Co.________________Bonds, Etc.
(Bids to be invited) $10,000,000

February 20, 1958 (Thursday)
Gulf Power Co.______________________________Bonds
(Bids 11 a.m. EST) $8,000,000

February 24, 1958 (Monday)
Pennsylvania Electric Co.____________________Bonds
(Bids 11 a.m. EST) $29,000,000

February 25, 1958 (Tuesday)
Central Illinois Public Service Co.__________Bonds
(Bids to be invited) $15,000,000
Cleveland Electric Illuminating Co._________Bonds
(Bids noon EST) $30,000,000

February 26, 1958 (Wednesday)
Southern New England Telephone Co._____Debens.
(Bids to be invited) $30,000,000

March 4, 1958 (Tuesday)
Ohio Edison Co.____________________________Bonds
(Bids to be invited) $30,000,000 to $35,000,000

March 5, 1958 (Wednesday)
Iowa Illinois Gas & Electric Co._______Debentures
(Bids to be invited) $9,000,000

March 20, 1958 (Thursday)
Georgia Power Co.___________________________Bonds
(Bids 11 a.m. EST) $21,500,000

June 3, 1958 (Tuesday)
Appalachian Electric Power Co.______________Bonds
(Bids to be invited) $25,000,000

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Guardian Insurance Corp., Baltimore, Md.
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes **Underwriter**—None.

Gulf States Land & Industries, Inc.
Sept. 25 filed 316,814 shares of common stock (par 50 cents) and $2,754,900 6% first mortgage sinking fund bonds due 1972 being offered in exchange for the outstanding $4.50 prior preferred stock on the following basis: For each preferred share (a) 11½ shares of common stock, or (b) $100 of bonds, plus 1½ shares of stock. The offer, which is conditioned upon its acceptance by holders of at least 85% of the 27,549 outstanding preferred shares, will expire on Dec. 20. **Dealer-Manager**—Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La. Statement effective Nov. 13.

Hartford Electric Light Co.
Oct. 8 filed $2,400,000 of 3% secured debentures, series A, due Aug. 1, 1967, being offered in exchange for 3% first and general mortgage bonds, series D, due May 1, 1982, of Connecticut Power Co. on a par-for-par basis. The exchange offer expires on Dec. 27. **Underwriter**—None.

★ **Hillyard Chemical Co.**
Dec. 3 (letter of notification) $250,000 of 6% subordinated debentures due Jan. 1, 1968 and Jan. 1, 1973. **Price**—At par. **Proceeds**—For real estate; to retire preferred stock; purchase machinery and equipment and for working capital. **Office**—4th & Jule Street, St. Joseph, Mo. **Underwriter**—None.

★ **Holly Corp.**
Dec. 3 (letter of notification) 40,000 shares of common stock (par 60 cents) issued as part payment of purchase of Alsop, Dye & Reisz-Dewig leases from Petrex Corp. at a value of $1 per share. **Price**—$1.12½ per share. **Proceeds**—To selling stockholders. **Office**—405 Lexington Avenue, New York 17, N. Y. **Underwriter**—None.

Home Owners Life Insurance Co.
Nov. 1 filed 50,000 shares of class A common stock to be offered to the public at $5 per share and 116,366 shares of class B common stock to be offered to stockholders at $6 per share at the rate of two new shares for each five shares held. **Proceeds**—For working capital. **Office**—Fort Lauderdale, Fla. **Underwriter**—None.

Horace Mann Fund, Inc., Springfield, Ill.
June 27 filed 100,000 shares of capital stock (par $1) **Price**—At market. **Proceeds**—For investment. **Distributor and Investment Manager**—Horace Mann Investors, Inc., Des Moines, Ia., of which Charles F. Martin is also President. **Office**—216 E. Monroe St., Springfield, Ill.

Horlac Mines, Ltd.
Nov. 20 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loan, to purchase equipment and machinery and for working capital. **Office**—1551-A Eglinton Ave. West, Toronto 10, Ont., Canada. **Underwriter**—D'Amico & Co., Inc., Buffalo, N. Y.

International Staple & Machine Co.
Oct. 14 (letter of notification) 20,000 shares of 6% cumulative preferred stock of which 10,000 shares are to be offered to the public and the remainder to stockholders of record Oct. 10, 1957 in exchange for seven shares of common for each share of preferred Both subscription and tenders for exchange must be received on or before Nov. 30, 1957. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—497 Union Trust Building, Pittsburgh 19, Pa. **Underwriter**—None.

Isthmus Steamship & Salvage Co., Miami, Fla.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase a ship and for working capital. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Fla.

Janaf, Inc., Washington, D. C.
July 30 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—Par for debenture, plus $2 per share for each 10 shares of Stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None.

King Pharr Canning Operations Inc.
Nov. 25 (letter of notification) $200,000 of 6½% sinking fund debentures dated Dec. 1, 1957 and due Dec. 1, 1977 (with common stock purchase warrants). **Price**—At par. **Proceeds**—To retire notes payable. **Office**—Cullman, Ala. **Underwriter** — Berney Perry & Co., Inc., Birmingham, Ala.

Koeller Air Products, Inc.
Nov. 25 (letter of notification) 150,000 shares of common stock (par five cents). **Price**—$2 per share. **Proceeds**—For capital expenditures, equipment, repayment of loans and working capital. **Business**—Welding and cutting equipment. **Office** — 253 Boulevard, Hasbrouck Heights, N. J. **Underwriter**—Pierre Rossini Co., Westwood, N. J.

● **Litecraft Industries Ltd. (12/20)**
Nov. 22 filed $500,000 of 6½% sinking fund debentures due 1977 (with warrants attached) and 50,000 shares of common stock (par $1). **Price**—Of debentures, 100% and accrued interest; and of stock, $5 per share. **Proceeds**—To retire mortgage and other indebtedness; to purchase machinery; and for working capital. **Business**—Manufacture of incandescent and fluorescent lighting fixtures. **Office** — Passaic, N. J. **Underwriter** — P. W. Brooks & Co., Inc., New York.

★ **Lorain Telephone Co., Lorain, Ohio**
Dec. 13 (letter of notification) 1,785 shares of common stock (no par) to be offered for subscription by common stockholders at the rate of one new share for each 60.4364 shares held. **Price**—$28 per share. **Proceeds**—For additions and improvements. **Office**—203 West 9th St., Lorain, Ohio. **Underwriter**—None.

Mascot Mines, Inc., Kellogg, Idaho
June 3 (letter of notification) 800,000 shares of common stock. **Price**—At par (17½ cents per share). **Proceeds**—For mining expenses. **Office**—Sidney Bldg., Kellogg, Idaho. Malcolm C. Brown is President. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho.

Minnesota Mining & Manufacturing Co. (1/7)
Dec. 10 filed 115,000 shares of common stock (no par). **Price** — To be supplied by amendment. **Proceeds** — To Estate of John C. Dwan, a former director of company. **Underwriters**—Goldman, Sachs & Co. and Kidder, Peabody & Co., both of New York; and Piper, Jaffray & Hopwood, Minneapolis, Minn.

Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

Mortgage Clubs of America, Inc.
Aug. 19 filed $1,000,000 of participation units in second mortgages of real estate to be offered for public sale in units of $100, plus a sales commission of $10 per unit to the company. **Proceeds**—To be invested in small loans secured by second mortgage on home properties. **Office**—Springfield, Mass. **Underwriter**—None. Charles Hershman is President.

Motel Co. of Roanoke, Inc., Roanoke, Va.
Nov. 18 (letter of notification) 60,000 shares of common stock (par 40 cents). **Price**—$5 per share. **Proceeds**—For purchase of land, construction and working capital. **Underwriter**—Southeastern Securities Corp., New York.

★ **Motel Corp. of Italy**
Dec. 11 filed 20,000 shares of class A common stock and $1,000,000 of 8% income debenture bonds due July 2, 1933, to be offered in units of one $100 bond and two shares of stock. **Price**—$101 per unit. **Proceeds**—To construct and operate, through Italian corporations, a chain of motels in Italy. **Office**—Silver Spring, Md. **Underwriter**—None.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

Nassau Fund, Princeton, N. J.
May 8 filed 250,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—10 Nassau St., Princeton, N. J. **Investment Advisor** — Harland W. Hoisington, Inc., same address.

National Biochemicals, Inc.
Sept. 10 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For cost of plant and inventory and for general corporate purposes. **Office**—Room 202 Houston Title Bldg., Houston, Tex. **Underwriter**—Scott Taylor & Co., Inc., New York, N. Y.

National Bowlero, Inc., Cleveland, O.
Dec. 4 filed $900,000 of 5% 10-year debenture bonds, 9,000 shares of 4% non-cumulative preferred stock (par $100) and 15,000 shares of common stock (par $10) to be offered in units of $9,000 of bonds, 90 shares of preferred stock and 150 shares of common stock. **Price**—$19,500 per unit. **Proceeds**—For erection and operation of two bowling sports centers. **Underwriter**—None. William N. Skirball is President.

National Lithium Corp., New York
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York. Statement expected to be amended.

National Mortgage Discount Corp., Waco, Texas
Nov. 27 filed 10,000 shares of class A preferred stock (no par) and 5,000 shares of class B preferred stock (no par). **Price**—$100 per share. **Proceeds**—For investment in real estate notes, for reserve for real estate development and general corporate purposes. **Underwriter**—Proctor Elder Securities Co., Ltd., Fort Worth, Texas.

Natural Gas Pipeline Co. of America
Nov. 19 filed $40,000,000 of first mortgage pipeline bonds due 1977. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriters** — Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc., both of New York. **Offering**—Temporarily postponed.

New Orleans Public Service Inc.
Nov. 12 (letter of notification) 5,965 shares of common stock (no par) being offered for subscription by minority stockholders of record Dec. 2, 1957 on the basis of one new share for each eight shares held; rights to expire on Dec. 26. **Price**—$25 per share. **Proceeds**—For construction program. **Office**—317 Baronne St., New Orleans, La. **Underwriter**—None.

Nichols, Inc., Exeter, N. H.
Nov. 14 filed 25,000 shares of common stock (no par). **Price**—$27 per share. **Proceeds**—To repay short term bank loans and for working capital. **Business** — Sells hatching eggs and day-old chicks. **Underwriter**—None. George E. Coleman, Jr., is President.

North American Finance Co., Phoenix, Ariz.
Nov. 27 filed 300,000 shares of class B common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital and other corporate purposes. **Underwriter**—None. Sales to be made through Eugene M. Rosenson, President, and Marcus T. Baumann, Vice-President and Treasurer.

Nuclear Science & Engineering Corp.
Sept. 20 filed 100,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To prepay indebtedness to Norden-Ketay Corp., to purchase additional equipment and for working capital. **Underwriter**—Hayden, Stone & Co., New York. **Offering**—Temporarily postponed because of market conditions.

Oil & Gas Ventures—First 1958 Fund, Ltd. and Oil & Gas Ventures—Second 1958 Fund, Ltd., Madison, N. J.
Oct. 29 filed $2,500,000 of participations in capital as limited partnership interests to be offered in $25,000 minimum amounts. **Proceeds**—For acquisition, exploration, etc. of oil properties. **Underwriter** — Mineral Projects Co., Ltd., Madison, N. J.

Oil & Mineral Operations, Inc.
Nov. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For development of oil and mineral properties. **Office**—208 Wright Bldg., Tulsa, Okla. **Underwriter**—Universal Securities Co., 201 Enterprise Bldg., Tulsa 3, Okla.

Old American Life Co., Seattle, Wash.
July 22 filed 15,825 shares of class A stock (par $10) and 3,165 shares of common stock (par $10) to be offered in units of one common share and three class A shares. **Price**—$260 per unit. **Proceeds** — For working capital and other corporate purposes. **Underwriter**—None.

Pacific Petroleums, Ltd.
Oct. 11 filed 1,603,998 shares of common stock (par $1), of which 1,588,998 shares are to be offered in exchange for outstanding Merrill Petroleums, Ltd. common stock at the rate of one Pacific share for each two Merrill shares; the remaining 15,000 shares are to be issuable upon exercise of presently outstanding options granted by Merrill, which options will be assumed by Pacific. **Office**—Calgary, Alberta, Canada. **Underwriter**—None. Statement effective Nov. 13.

★ **Pacific Power & Light Co. (1/15)**
Dec. 13 filed $15,000,000 first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co., and Kidder, Peabody & Co. (jointly); Lehman Brothers; Bear Stearns & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc. and White, Weld & Co. (jointly). **Bids**—Expected to be received up to 8 a.m. (PST) on Jan. 15.

★ **Pacific Power & Light Co. (1/15)**
Dec. 13 filed 100,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co., Inc.; Smith, Barney & Co., and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received up to 8 a.m. (PST) on Jan. 15.

Pan American Tool Co., Houston, Texas
Oct. 28 filed 165,000 shares of common stock (par $1), to be offered in blocks of not less than 3,000 shares. **Price**—To be supplied by amendment. **Proceeds** — To discharge trade accounts payable, to buy tools and equipment and for working capital. **Underwriter**—None.

Pearce-Simpson, Inc., Miami, Fla.
Nov. 7 filed 415,450 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For capital expenditures; to retire loans and notes outstanding; and for inventories, tools, and other corporate purposes. **Underwriter**—Christopher Corp., Miami, Fla.

★ **Peninsular Metal Products Corp.**
Dec. 16 filed 65,000 shares of 6% cumulative convertible preferred stock. **Price**—To be supplied by amendment. **Proceeds**—Together with funds from sale of $318,000 5% subordinated debentures, to purchase all of the outstanding 104,500 shares of capital stock of George L. Nankervis Co., Detroit, Mich., for $15.75 per share, or a total of $1,645,875. **Office**—Ferndale, Mich. **Underwriter**—Wm. C. Roney & Co., Detroit, Mich.

Peoples Security Investment Co.
Oct. 28 filed 1,000,000 preorganization subscriptions to class A voting common stock and 250,000 preorganization subscriptions to class B non-voting common stock to be offered in units of four class A shares and one class B share, the purchaser agreeing to donate each class B share to the Peoples Security Foundation for Christian Education, to be incorporated as a non-profit corporation. **Price**—$2 per share. **Proceeds** — For capital and surplus to finance a proposed insurance company to be named Peoples Security & Endowment Co. of America. **Office** — Montgomery, Ala. **Underwriter** — None. T. J. Patterson is President.

Permian Basin Pipeline Co.
Nov. 22 filed 826,500 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one new share for each two shares held of record Dec. 12, 1957; rights to expire on Dec. 31. **Price**—To be supplied by amendment. **Proceeds**—Together

with other funds, to repay advances from Northern Natural Gas Co., the parent, and for construction program. **Underwriter**—None.

Pittsburgh Brewing Co., Pittsburgh, Pa.
Nov. 15 filed $5,646,750 of 5% sinking fund income subordinated debentures due Oct. 31, 1992; 112,935 shares of common stock (par $1); and 451,740 warrants to purchase 451,740 additional shares of common stock to be offered in units of $50 of debentures, one common share and warrants to purchase four common shares to be offered in exchange for each outstanding share of preferred stock (par $25) plus accrued dividends. **Purpose**—To eliminate or reduce preferred dividend arrearages. **Underwriter**—None.

Pittsburgh-Des Moines Steel Co.
Nov. 29 (letter of notification) 5,750 shares of common stock (no par), of which 1,920 shares are to be offered for account of selling stockholder, and 3,830 shares for company. **Price**—$52 per share. **Proceeds**—To purchase steel inventory items. **Office**—Neville Island, Pittsburgh 25, Pa. **Underwriter**—None.

Pleasant Valley Oil & Mining Corp.
Sept. 30 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds** — For geological studies, reserve for contingent liability, for machinery and equipment and other reserves. **Office** — 616 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Steven Randall & Co., Inc., New York.

Polytronic Research, Inc.
Nov. 4 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For equipment and research, development program and working capital. **Office**—4130 Howard Ave., Kensington, Md. **Underwriters**—First Washington Corp. and The Stanford Corp., both of Washington, D. C. **Change of Name**—Formerly Acme Tool & Engineering Corp.

★ **Ponce Hotel Corp., San Juan, P. R.**
Dec. 12 filed 1,590 shares of 6% cumulative preferred stock, series A (par $100), 12,410 shares of 6% cumulative preferred stock, series AA (par $100) and 364,000 shares of common stock (par $1) to be offered in units of one preferred share and 26 common shares. **Price** — $126 per unit. **Proceeds** — Together with proceeds of debt financing, will be used to purchase hotel site, construction, furnishing and equipment of the hotel. **Underwriter** — Compania Financiera de Inversiones, Inc., San Juan, P. R.

★ **Power Rents Inc.**
Nov. 26 (letter of notification) 1,000 units on investment contract. **Price**—$130 per unit. **Proceeds**—For cost of Merry Tiller, etc. **Office**—1400 Northern Life Tower, Seattle, Wash. **Underwriter**—None.

★ **Professional Life & Casualty Co., Champaign, Ill.**
Dec. 16 filed 120,000 shares of common stock. **Price**—$15 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Public Savings Life Insurance Co.
Nov. 29 filed 113,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To Public Savings Insurance Co., the selling stockholder. **Office**—Charleston, S. C. **Underwriter**—None.

Pyramid Mining & Metal Corp.
Oct. 24 (letter of notification) 236,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For mining expenses. **Office** — 508 Great Plains Life Bldg., Lubbock, Tex. **Underwriter**—Sterling Securities Co., Inc., Odessa, Tex.

Ramapo Uranium Corp. (New York)
Aug. 13 filed 125,000 shares of common stock (par one cent). **Price**—$5 per share. **Proceeds**—For exploration and development of properties and completion of a uranium concentrating pilot mill. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—None.

Reichhold Chemicals, Inc.
Oct. 10 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion program and working capital. **Underwriter**—Blyth & Co., Inc., New York. **Offering** — Temporarily postponed.

Research Instrument Corp.
Oct. 7 (letter of notification) $125,000 of 10-year 10% convertible debentures and 12,500 shares of common stock (no par) to be offered in units of one $100 debenture and ten shares of common stock. **Price**—$200 per unit. **Proceeds**—For equipment, working capital and inventory. **Office**—7962 S. E. Powell Blvd., Portland, Ore. **Underwriter**—Campbell & Robbins, Inc., Portland, Ore.

Resolute Bay Trading Co., Ltd.
Oct. 29 (letter of notification) 30,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For working capital, etc. **Business**—Purchase and sale of commodities. **Office**—St. John, N. B., Canada. **Underwriter**—Irving Weis & Co., New York.

Resolite Corp., Zelienople, Pa.
Dec. 6 filed 20,000 shares of common stock to be offered for subscription by stockholders of record Dec. 1, 1957 in the ratio of 3½ new shares for each 10 shares held; unsubscribed shares to be offered to public. **Price**—$10 per share. **Proceeds**—To pay $100,000 outstanding obligations and for improvement and rehabilitation of plant and facilities. **Business**—Fiberglass panels. **Underwriter**—None.

● **Roach (Hal) Productions**
Aug. 8 filed 375,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For expansion of production of filmed television commercials and for working capital. **Business**—Produces films for television. **Office**—Culver City, Calif. **Underwriter**—S. D. Fuller & Co., New York. Statement effective Nov. 14. **Offering**—Postponed. Not expected until after first of 1958.

Rocky Mountain Quarter Racing Association
Oct. 31 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstanding indebtedness. **Office** — Littleton, Colo. **Underwriter**—R. B. Ford Co.

Rose Records, Inc.
July 22 (letter of notification) 11,022 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—705 South Husband St., Stillwater, Okla. **Underwriter**—Richard B. Burns Securities Agency, Stillwater, Okla.

Rule (C. F.) Construction Co.
Sept. 13 filed 127,289 shares of common stock (par $10). **Price**—$13 per share. **Proceeds**—To retire outstanding loans and for working capital and investment in additional equipment. **Office**—Nashville, Tenn. **Underwriter**—None. Statement effective Nov. 20.

St. Louis Insurance Corp., St. Louis, Mo.
March 27 filed 1,250 shares of class C cumulative preferred stock (par $57). **Price**—$97 per share. **Proceeds**—To R. M. Realty Co., who is the selling stockholder. **Underwriter** — Yates, Heitner & Woods, St. Louis, Mo. **Offering**—Indefinitely postponed.

Schering Corp., Bloomfield, N. J.
Sept. 19 filed 278,983 shares of 5% cumulative convertible preferred stock (par $30) and 418,475 shares of common stock (par $1) to be issued in exchange for stock of White Laboratories, Inc. (which is to be merged with Schering Corp. effective Sept. 19, 1957) on the basis of one share of preferred stock and 1½ shares of common stock for each White class A or class B common share held. **Underwriter**—None.

★ **Seminole Investment Corp.**
Nov. 29 (letter of notification) 45,750 shares of class A common stock (par $1) and 4,575 shares of class B voting common stock (par $1) to be offered in units of 10 shares of class A and one share of class B stock. **Price**—$55 per unit. **Proceeds** — For investment in mortgages, notes, real estate and for working capital. **Office** — 2508 Ava Marie Drive, Gadsden, Ala. **Underwriter** — Burr A. L. Bixler, Gadsden, Ala.

Sentinel Security Life Insurance Co.
Nov. 27 filed 5,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Salt Lake City, Utah. **Underwriter**—None.

Shacron Oil Corp.
Sept. 11 (letter of notification) 40,000 shares of common stock ((par $1) to be offered for subscription by stockholders; then to public. **Price**—$1.25 per share to stockholders; $1.37½ to public. **Proceeds**—For expenses incidental to drilling of oil wells. **Office**—Suite 14, 1500 Massachusetts Ave., N. W., Washington, D. C. **Underwriter**—None.

Shaleen Oil & Mining Co.
Dec. 9 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—c/o Bruce Kistler, Counsel, 450 Denver Club Bldg., Denver, Colo. **Underwriter**—None.

Shop Rite Foods, Inc.
Dec. 2 (letter of notification) 9,400 shares of common stock (par $5). **Price**—$13.50 per share. **Proceeds**—For general corporate purposes. **Office**—617 Truman, N. E., Albuquerque, N. M. **Underwriters**—The First Southwest Co., Dallas, Tex., and Minor, Mee & Co., Albuquerque, N. M.

★ **Shopping Centers Corp., Pittsburgh, Pa.**
Dec. 17 filed 50,000 shares of common stock (par $2.50) and $2,500,000 of debenture bonds to be offered in units of one share of stock and one $50 bond. **Price**—$52.65 per unit. **Proceeds** — For construction, ownership and management of shopping centers, luxury hotels and other commercial property. **Underwriter** — None. Offering to be made through Akiba Zilberberg, of Pittsburgh, Pa.

● **Simplicity Pattern Co. Inc.**
Oct. 10 filed 155,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To two selling stockholders. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering** — Indefinitely postponed.

● **Sovereign Resources, Inc. (12/26-27)**
Nov. 19 (letter of notification) 1,500 shares of 7% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For construction, payment of promissory note and working capital. **Office**—3309 Winthrop St., Fort Worth, Tex. **Underwriter**—Reilly, Hoffman & Sweeney, Inc., New York, N. Y.

Standard Steel Products Manufacturing Co.
Oct. 3 (letter of notification) $165,000 of 7% 10-year debentures, 11,000 shares of common stock (par $2.50) and warrants to buy 11,000 additional common shares to be offered in units of $30 principal amount of debentures, two shares of stock and a warrant to buy two common shares at $7.50 each. **Price**—$45 per unit. **Proceeds** — For equipment and working capital. **Office**—2836 S. 16th St., Milwaukee, Wis. **Underwriter** — The Milwaukee Co., Milwaukee, Wis.

Stuart-Hall Co., Inc., Kansas City, Mo.
Nov. 27 filed $650,000 of 20-year 6% convertible debentures due Dec. 15, 1977. **Price**—At par (in denominations of $1,000 each). **Proceeds**—For working capital and to reduce bank loans. **Underwriter**—White & Co., St. Louis, Mo.

Surinam Corp., Houston, Tex.
Oct. 21 filed 10,000,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For exploration and exploitation of oil, gas and sulphur properties. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

Syntex Corp. (Republic of Panama)
July 24 filed 1,165,750 shares of common stock (par $2) to be offered for subscription by common stockholders of Ogden Corp. on the basis of one new share for each four shares held and to holders of options on the basis of one share for each option to purchase four shares of Ogden common stock; unsubscribed shares to be offered to certain employees and officers. **Price**—$2 per share. **Proceeds**—To pay outstanding obligations to Ogden Corp. **Underwriter**—None.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress.

Taylor Instrument Companies
Oct. 1 filed 99,195 shares of common stock (par $10) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds** — To retire short term bank loans and for working capital and general corporate purposes. **Office** — Rochester, N. Y. **Underwriter**—The First Boston Corp., New York. **Offering**—Indefinitely postponed.

★ **Technical Animations, Inc.**
Dec. 12 (letter of notification) 100,000 shares of common stock, class B (par 10 cents). **Price**—$1 per share. **Proceeds**—For equipment, working capital, etc. **Office**—19 South St., Port Washington, L. I., N. Y. **Underwriter**—None.

Tekoil Corp., Dallas, Texas
Dec. 9 filed 677,408 shares of common stock, of which 377,408 shares are to be issued for the account of selling stockholders and the remaining 300,000 shares issued from time to time in exchange for oil and gas properties. Of the 377,408 shares, 132,558 shares, 61,392 shares and 47,606 shares, respectively, are to be issued as dividends to stockholders of Texolina Oil Co., Mountain Valley Oil Corp. and Trigg Drilling Co.; while 57,239 are to be offered immediately to the public, while the balance of 78,613 shares are to be similarly offered in the near future. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—None.

Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders on a basis of two new shares for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

Trans-America Uranium Mining Corp.
Nov. 6 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves, and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo, Ia., is President.

★ **Trask Manufacturing Co.**
Dec. 5 (letter of notification) 15,000 shares of common stock (par $5). **Price** — $4.50 per share. **Proceeds** — For working capital and payment of current liabilities. **Address**—Wrightsboro section, 3 miles north of Wilmington, N. C. **Underwriter** — Selected Investments, Wilmington, N. C.

Ulrich Manufacturing Co.
Sept. 24 filed $600,000 of 6% sinking fund debentures and 30,000 shares of class A common stock (par $1) to be offered in units of $500 of debentures and 25 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans, to repay all or part of an outstanding 5% term loan and/or provide additional working capital. **Office**—Roanoke, Ill. **Underwriter**—White & Co., St. Louis, Mo., on a best-efforts basis.

Union of South Africa
Sept. 12 filed $15,000,000 10-year external loan bonds due Oct. 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—For transportation development program. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—Postponed temporarily.

United States Coconut Fiber Corp.
Sept. 30 filed 735,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For expansion program and other corporate purposes. **Office**—Washington, D. C. **Underwriter** — Southeastern Securities Corp., New York.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office** — Houston, Texas. **Underwriter** — None.

Universal Drilling Co., Inc., New Orleans, La.
Oct. 31 filed 400,000 shares of class A common stock (par $1). **Price**—$5.50 per share. **Proceeds**—To pay obligations incurred and to be incurred in connection with construction and equipping of a drilling barge; and for working capital and other corporate purposes. **Underwriter**—Kohlmeyer & Co., New Orleans, La.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

★ **Van Norman Industries, Inc.**
Dec. 12 (letter of notification) a maximum of 58,800 shares of common stock (par $2.50) to be offered to eligible employees pursuant to Employee Stock Purchase

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Plan. **Price**—At market. Company will contribute 20% toward purchase of stock. **Proceeds**—To reimburse company for purchase of stock on New York Stock Exchange. **Underwriter**—None.

★ Vernon Furlow Inc.
Dec. 9 (letter of notification) 240,000 shares of class A non-voting common stock and 30,000 shares of class B voting common stock. **Price** — At par ($1 per share). **Proceeds**—For working capital and equipment. **Office**—500 Alabama St., Amarillo, Tex. **Underwriter**—None.

★ Verson All Steel Process Co., Chicago, Ill.
Dec. 13 (letter of notification) 60,000 shares of 6% cumulative non-voting preferred stock to be offered for subscription by employees. **Price**—At par ($5 per share). **Proceeds**—For working capital. **Office**—1355 East 93rd St., Chicago, Ill. **Underwriter**—None.

★ Vulcan Materials Co., Birmingham, Ala.
Dec. 12 filed 114,396 shares of 6¼% cumulative preferred stock (par $100), 54,631 shares of 5¾% cumulative preferred stock (par $100), 87,000 shares of 5% cumulative convertible preferred stock (par $16) and 2,390,230 shares of common stock (par $1) to be issued in exchange for stock of Union Chemical & Materials Corp. and Lambert Bros., Inc. under an agreement of merger to become effective Dec. 31, 1957, viz: Each of the 1,143,968 shares of Union common stock outstanding are to be converted into 1¼ shares of Vulcan common (1,429,960 shares) and 1.1 shares of Vulcan 6¼% preferred (114,396.8 shares); each of the 1,092,639 shares of Union 5% preferred stock outstanding will be converted into 1/20th share of Vulcan 5¾% preferred (54,632 shares); and each of the 1,200 common shares of Lambert will be converted into 486⅓ shares of Vulcan common (583,600 shares) and 72½ shares of Vulcan 5% preferred (87,000 shares). Vulcan will also issue 376,670 shares of its common stock in exchange for the stocks of Wesco Materials, Inc.; Wesco Contracting Co., Asphalt Paving Materials Co.; Brooks Sand & Gravel Co.; and Tennessee Equipment Co.; 50% of the outstanding stock of Chattanooga Rock Products Co. and 66⅔% of the stock of Rockwood Slag Products, Inc. Prior to the above merger, Lambert owned, and as a result of the merger Vulcan will own, the remaining 50% stock interest in Chattanooga Rock and the remaining 33⅓% stock interest in Rockwood Slag. **Underwriter**—None.

Warwick Valley Telephone Co.
Oct. 24 (letter of notification) 4,708 shares of common stock (no par) to be offered for subscription by common stockholders on the basis of one new share for each two shares held. **Price**—$20 per share. **Proceeds**—For construction of new telephone plant. **Office** — 47-49 Main St., Warwick, N. Y. **Underwriter**—None.

Washington National Development Corp.
Oct. 2 (letter of notification) 50,000 shares of common stock (par $1) of which 34,280 shares are to be offered publicly at $1.20 per share and 15,720 shares are to be offered to certain individuals under options. **Proceeds**—For general corporate purposes. **Office** — 3612 Quesada St., N. W., Washington, D. C. **Underwriter**—Wagner & Co., New York City.

Washington Water Power Co. (1/9)
Dec. 11 filed $20,000,000 of first mortgage bonds due 1988 and $10,000,000 of sinking fund debentures due 1983. **Price**—To be supplied by amendment. **Proceeds**—To retire a like amount of short-term notes. **Underwriters** — Kidder, Peabody & Co., Blyth & Co., Inc., White, Weld & Co. and Laurence M. Marks & Co., all of New York.

Western Chrome Inc.
Nov. 4 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For mining expenses. **Office** — Suite 901-902 Continental Bank Bldg., Salt Lake City, Utah. **Underwriter**—Utah General Securities, Inc., Salt Lake City, Utah.

Western Copperada Mining Corp. (Canada)
Aug. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development and exploratory work, drilling costs and survey, and for working capital. **Office** — 1205 Phillips Square, Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., New York. **Offering**—Expected at any time.

★ Wisconsin Southern Gas Co., Inc. (1/3)
Dec. 12 filed 19,327 shares of common stock (par $10) to be offered for subscription by common stockholders of record Dec. 26, 1957 at the rate of one new share for each six shares held; rights to expire on Jan. 17, 1958. **Price**—$16 per share. **Proceeds**—To repay bank loans. **Underwriters**—The Milwaukee Co., Milwaukee, Wis.; and Harley, Hayden & Co. and Bell & Farrell, Inc., both of Madison, Wis.

Young (Donald W.) & Son, Inc.
Nov. 14 (letter of notification) $75,000 of 10-year 6% debentures due Oct. 1, 1967, with common stock warrants to purchase 7,500 shares of 10-cent par common stock at $1 per share. **Price**—$100 per unit of a $100 debenture and one warrant. **Proceeds**—To repay short term debt and for working capital. **Office**—Stockholm, N. Y. **Underwriter**—Sherry Co., New York.

Prospective Offerings

★ Alabama Power Co. (1/16)
Dec. 6 it was announced company plans to issue and sell $23,000,000 of first mortgage bonds due 1988. **Proceeds**—To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; Lehman Brothers; The First Boston Corp.; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Jan. 16. **Registration**—Scheduled for Dec. 20.

American Telephone & Telegraph Co. (2/7)
Nov. 20 it was announced company plans to offer to its stockholders an issue of approximately $720,000,000 of convertible debentures on the basis of $100 principal amount of debentures for each nine shares held. Subscription rights are expected to be mailed on or about Feb. 7, 1958 and the subscription period will run until about March 12, 1958. **Proceeds**—To meet demand for new telephone facilities. **Underwriter**—None.

● Appalachian Electric Power Co. (6/3)
Dec. 2, it was reported that this company, a subsidiary of American Gas & Electric Co., plans to issue and sell $25,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received on June 3.

● Baltimore & Ohio RR. (1/23)
Bids will be received by the company at 2 Wall St., New York 5, N. Y., on January 23 for the purchase from it of $3,435,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Brooklyn Union Gas Co.
Nov. 25 it was announced that company expects to issue and sell $22,000,000 of first mortgage bonds next April or May. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc., and F. S. Moseley & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly); White, Weld & Co.

California Electric Power Co.
Nov. 20, Carl C. Ernst, President, said that "it now appears we will be back to market more securities soon after the first of the year." **Proceeds**—For repayment of bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co. (2) For common stock—Merrill Lynch, Pierce, Fenner & Beane; Carl M. Loeb, Rhoades & Co.; White, Weld & Co.; Kidder, Peabody & Co. Any preferred stock may be sold on a negotiated basis, and underwriters may be Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly).

Cambridge Electric Light Co.
Oct. 22 it was reported company may issue $4,500,000 of first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; and Coffin & Burr, Inc. and F. S. Moseley & Co. (jointly). **Bids**—Tentatively expected to be received in January.

★ Central Illinois Public Service Co. (2/25)
Dec. 9 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Salomon Bros. & Hutzler; Blair & Co., Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Expected Feb. 25.

Central Power & Light Co. (2/4)
Dec. 9 it was reported company plans to issue and sell $12,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly). **Bids**—Tentatively expected to be received on Feb. 4.

★ Chicago, Burlington & Quincy RR. (1/8)
Bids are expected to be received by the company on Jan. 8 for the purchase from it of $24,500,000 of new first and refunding mortgage bonds due Feb. 1, 1978. **Proceeds**—To retire $24,500,000 general mortgage bonds due March 1, 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers.

★ Chicago, Burlington & Quincy RR. (1/14)
Bids are expected to be received by the company on Jan. 14 for the purchase from it of $4,500,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Inc.; Salomon Bros. & Hutzler.

Chicago District Pipeline Co.
Nov. 12 it was announced company plans to sell about $5,000,000 of first mortgage bonds sometime after the turn of the year. **Proceeds**—To repay advances made by Peoples Gas Light & Coke Co., the parent. **Underwriters**—Probably Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc.

★ Chicago, Rock Island & Pacific RR. (1/9)
Bids are expected to be received by the company on Jan. 9 for the purchase from it of $4,620,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Cincinnati Gas & Electric Co.
Nov. 8 it was reported company plans in 1958 to sell about $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and W. E. Hutton & Co. (jointly); Blyth & Co. Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Lehman Bros. (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly).

Cincinnati Gas & Electric Co.
Nov. 8 it was also announced that company plans in the summer of 1958 to offer to its common stockholders about 450,000 additional shares of common stock on about a 1-for-16 basis. **Underwriter**—None.

★ Cleveland Electric Illuminating Co. (2/25)
Dec. 16 it was reported company plans to issue and sell $30,000,000 of first mortgage bonds due 1993. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blair & Co., Inc. and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Dillon Read & Co. Inc. **Bids**—Expected to be received up to noon (EST) on Feb. 25.

Columbus & Southern Ohio Electric Co.
Dec. 9 it was reported company plans to issue and sell in 1958 about 250,000 shares of common stock. **Underwriters** — Dillon, Read & Co. Inc. and The Ohio Co. (jointly).

● Commonwealth Edison Co. (1/14)
Dec. 11 it was announced company plans to sell $50,000,000 of sinking fund debentures due 2008. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. **Bids**—Tentatively expected to be received on Jan. 14, 1958. **Registration**—Planned for today (Dec. 19).

Connecticut Light & Power Co. (1/9)
Nov. 25 it was reported company plans to sell $30,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter** — Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and Estabrook & Co., Boston, Mass. **Registration**—Planned for Dec. 20.

Consolidated Edison Co. of New York, Inc.
Dec. 3 it was stated that about $60,000,000 of new bonds may be sold next year to repay bank loans incurred through August, 1958. **Underwriter**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

★ Duquesne Light Co
Dec. 12 it was reported company plans to issue and sell around $15,000,000 of first mortgage bonds due 1988. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Glore, Forgan & Co.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co., and A. C. Allyn & Co. Inc. (jointly); Drexel & Co. and Equitable Securities Corp. (jointly). **Offering**—Planned in first half of 1958.

★ Georgia Power Co. (3/20)
Dec. 6 it was announced company plans to issue and sell $21,500,000 of first mortgage bonds due 1988. **Proceeds**—To finance construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers; The First Boston Corp.; Blyth & Co., Inc., Kidder, Peabody & Co. and Shields & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Scheduled to be received up to 11 a.m. (EST) on Feb. 20. **Registration**—Planned for Feb. 21.

Great Northern Ry. (1/23)
Bids are expected to be received by the company on Jan. 23 for the purchase from it of $5,700,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Gulf, Mobile & Ohio RR.
Nov. 8 company applied to the ICC for permission to issue $28,343,800 of 5% income debentures to mature Dec. 1, 2056 in exchange for the 283,438 shares of outstanding $5 preferred stock (no par) on the basis of $100 of debentures for each preferred share.

★ Gulf Power Co. (2/20)
Dec. 6 it was announced company plans to issue and sell $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; Lehman Brothers; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly). **Bids**—Scheduled to be received up to 11 a.m. (EST) on Feb. 20. **Registration**—Planned for Jan. 24.

★ Gulf States Utilities Co. (2/18)
Dec. 16 it was announced company plans to issue and sell 75,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Scheduled to be received on Feb. 18.

Illinois Central RR.
Bids are expected to be received by the company early in January for the purchase from it of a new issue of

equipment trust certificates to an amount sufficient to finance three-fourths of the cost of new equipment. **Proceeds**—Together with other funds to buy 70 new locomotives, costing approximately $12,250,000, and $250,000 of spare parts. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Huzler.

Indiana & Michigan Electric Co. (2/13/58)
Nov. 15 it was announced company plans to issue and sell $25,000,000 of first mortgage bonds due 1988. **Proceeds**—For reduction of bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.: The First Boston Corp.; Eastman Dillon, Union Securities & Co. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Feb. 18, 1958.

★ International Bank for Reconstruction and Development ("World Bank")
Dec. 17 it was announced that the Bank is planning to market $150,000,000 of bonds in this country before the middle of January, 1958. **Underwriters**—The First Boston Corp. and Morgan Stanley & Co., both of New York.

★ Iowa Illinois Gas & Electric Co. (3/5)
Dec. 9 it was announced company plans to issue and sell $9,000,000 of debentures (probably convertible). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Glore, Forgan & Co.; The First Boston Corp.; Harriman, Ripley & Co. Inc., Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp.; Blyth & Co. **Bids**—Expected on March 5. **Registration**—Planned for Feb. 5.

★ Iowa Power & Light Co.
Dec. 9 it was announced company plans to issue and sell $5,000,000 of cumulative preferred stock. **Proceeds**—For construction program. **Underwriter**—Smith, Barney & Co., New York.

★ Iowa Power & Light Co. (1/22)
Dec. 9 it was announced company plans issuance and sale of $10,000,000 first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co.; The First Boston Corp.; Equitable Securities Corp. **Bids**—To be received on Jan. 22.

● Litton Industries, Inc.
Dec. 14 stockholders approved the creation of an issue of 16,000 shares of $100 par preferred stock and an increase in the authorized common stock from 2,000,000 to 3,500,000 shares. **Underwriters** — Lehman Brothers and Clark, Dodge & Co. handled last equity financing which was done privately.

★ Louisiana Power & Light Co.
Dec. 16, it was announced company may borrow $11,500,000 from banks pending a final financing program relating to the disposition of its gas properties to Louisiana Gas Service Co., a new company.

★ Minneapolis Gas Co.
Dec. 16 it was reported company may be planning to offer to its common stockholders the right to subscribe for about 166,070 additional shares of common stock on a 1-for-10 basis. **Underwriter**—Kalman & Co., Minneapolis, Minn.

Mississippi Power & Light Co.
Dec. 4 it was announced company plans to issue and sell, probably in May or June of 1958, $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Equitable Securities Corp. and Shields & Co. (jointly); Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Kidder Peabody & Co. (jointly); The First Boston Corp.

★ Missouri Pacific RR. (1/15)
Bids are expected to be received by the company on Jan. 15 for the purchase from it of $3,450,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Multnomah Canadian Fund, Ltd.
Nov. 25 it was announced company has applied to SEC for permission to issue and sell in the United States its class A common shares, of which there are authorized 1,000,000 shares (par $1) and 10,000 shares outstanding. **Office**—Vancouver, B. C., Canada.

New Orleans Public Service Inc.
Dec. 4 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds in the Spring of 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lee Higginson Corp.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Salomon Bros. & Hutzler.

Norfolk & Western Ry. (1/22)
Bids are expected to be received by this company up to noon (EST) on Jan. 22 for the purchase from it of $4,140,000 equipment trust certificates (third instalment) to mature semi-annually from May 1, 1958 to and including Nov. 1, 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● Northern Illinois Gas Co. (2/19)
Dec. 13 this company announced that it now plans to raise $10,000,000 early in 1958. No decision has been made as to the form of the proposed financing, but no consideration is being given to sale of common stock or securities convertible into common stock. **Proceeds**—For construction program. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc. **Bids**—Expected to be received on Feb. 19.

Northern Natural Gas Co.
Nov. 25 the company announced the proposed issuance of 456,813 additional shares of common stock (par $10), to be offered late in January to common stockholders on the basis of one new share for each eight shares held. **Proceeds** — Approximately $20,000,000 to repay bank loans and for construction program. **Underwriter**—None.

★ Ohio Edison Co. (3/4)
Dec. 12 it was reported company plans to offer $30,000,000 to $35,000,000 first mortgage bonds due 1988. **Proceeds**—To repay bank loans, etc. and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids** — Expected on March 4.

Ohio Water Service Co.
Sept. 26 it was reported company to issue and sell in December an issue of $1,500,000 convertible subordinated debentures. **Underwriter**—McDonald & Co., Cleveland, Ohio. **Registration**—Expected in near future.

Oklahoma Gas & Electric Co.
Nov. 18 it was reported company plans to raise about $20,000,000 next Spring, through sale of bonds and other securities. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and Eastman Dillon, Union Securities & Co. (jointly). (2) For preferred stock — Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp.; Lehman Bros. and Blyth & Co. Inc. (jointly); Smith, Barney & Co.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co. Any offering of common stock may be made to common stockholders, with Merrill Lynch, Pierce, Fenner & Beane underwriting.

Pacific Gas & Electric Co. (1/21)
Oct. 16 directors authorized the sale of $60,000,000 first and refunding mortgage bonds. **Proceeds** — To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Blyth & Co., Inc. **Bids**—To be received on Jan. 21, 1958.

Pacific Gas & Electric Co.
Nov. 4 it was announced company plans, following bond sale about Jan. 21, to offer a small amount of common stock to keep the capital structure in reasonable balance. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Pennsylvania Electric Co. (2/24)
Dec. 4 it was reported company plans to issue and sell $29,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Equitable Securities Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EST) on Feb. 24.

★ Pittsburgh & Lake Erie Ry. (1/8)
Bids are expected to be received by the company on Jan. 8 for the purchase from it of $3,975,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Portland Gas & Coke Co. (1/22)
Dec. 3 it was reported company plans to issue and sell 50,000 shares of cumulative preferred stock (par $100). **Proceeds** — To reduce bank loans and for construction program. **Underwriter**—Lehman Brothers, New York.

Public Service Electric & Gas Co.
Aug. 1 it was announced company anticipates it will sell in 1958 $25,000,000 of preferred stock. **Proceeds**—For construction program. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Beane, New York.

Riddle Airlines, Inc.
Oct. 21 it was announced company plans to register with the SEC an issue of new common stock, the number of shares and the price at which they will be offered not yet determined. The authorized common stock has been increased from 7,500,000 to 15,000,000 shares. **Proceeds**—To finance route expansion and for working capital. **Underwriter**—James H. Price & Co., Inc., Coral Gables, Fla. and New York, N. Y., handled previous public offering of 500,000 shares of common stock at $3.25 per share in July, 1956.

● Royal Dutch (Petroleum) Co. (1/17)
Dec. 18 it was announced company plans to offer to its stockholders 7,602,285 additional shares of capital stock (par 20 guilders) at the rate of one new share for each eight shares held as of about Jan. 17, 1958. This would be sufficient to raise between Fls. 800 million and Fls. 1,000 million (equivalent to $211,000,000 and $263,000,000). **Price**—To be governed by market conditions prevailing at time of issue. **Proceeds—For capital expenditures. Underwriter** — Morgan Stanley & Co. and associates are expected to underwrite about **60% of issue and** balance by European financial institutions. **Registration**—Expected around Dec. 20.

Seaboard Air Line RR.
Nov. 13 it was reported company plans to issue and sell $5,445,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● Shell Transport & Trading Co., Ltd. (2/14)
Oct. 3 it was announced company plans to offer to stockholders of record Jan. 17, 1958 between £40,000,000 and £55,000,000 additional capital stock (equivalent to $112,000,000 and $154,000,000), of which it is estimated, not exceeding £4,500,000 ($12,600,000) may be subscribed in the United States. **Price**—To be governed by market conditions prevailing at time of issue. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Grenfell & Co., Ltd., London, England. **Registration** — Expected on or about Dec. 20.

★ Southern Counties Gas Co. of California
Dec. 16 it was reported company plans to issue and sell in March, 1958, $15,000,000 of first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane.

Southern Nevada Power Co.
Dec. 3 it was announced company plans to raise in mid-1958 between $5,000,000 and $6,000,000 new capital, about two-thirds of which will be through bond financing and the balance through common stock financing. **Underwriter**—For stock, may be Hornblower & Weeks, William R. Staats & Co. and The First California Co. (jointly). For bonds, to be determined by competitive bidding. Only bidders in 1956 for $4,000,000 bonds were Halsey, Stuart & Co. Inc.; Hornblower & Weeks and William R. Staats & Co. (jointly).

★ Southern New England Telephone Co. (2/26)
Dec. 12 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—For repayment of advances received from American Telephone & Telegraph Co. and construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids** — Scheduled to be received on Feb. 26. **Registration**—Planned for Feb. 4.

★ Tennessee Gas Transmission Co.
Dec. 17 directors approved a proposal to issue and sell 1,000,000 shares of common stock early in February, 1958. **Proceeds**—For construction program. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., both of New York.

Texas Utilities Co.
Nov. 4 it was announced company may sell some additional common stock in an amount not exceeding 4% of present outstanding 12,210,000 shares. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); The First Southwest Corp., Rauscher, Pierce & Co. and Dallas Securities Co. (jointly); Lehman Bros. and Bear, Stearns & Co. (jointly); Eastman Dillon, Union Securities & Co.

Tuttle Engineering, Inc., Arcadia, Calif.
Nov. 6, Harry Oedekerk, Chairman of the Board, announced corporation plans a public stock issue in the near future. **Proceeds**—For working capital and other corporate purposes.

Union Electric Co. (Mo.)
Nov. 11 it was reported company plans to offer around 1,000,000 additional shares of common stock, first to common stockholders. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane.

Union Electric Co. (Mo.)
Nov. 11 it was reported company plans to issue and sell approximately $35,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co., Blyth & Co., Inc., Eastman Dillon, Union Securities & Co. and Shields & Co. (jointly); The First Boston Corp. **Offering**—Expected early in March.

Washington Natural Gas Co.
Oct. 18 the directors authorized the sale of $5,000,000 in debentures. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

★ West Texas Utilities Co. (1/20)
Dec. 9 it was reported company plans to issue and sell $8,500,000 of first mortgage bonds due 1988. **Proceeds**—To repay loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); The First Boston Corp.; Blyth & Co., Inc., Harriman Ripley & Co. Inc. and Salomon Bros. & Hutzler (jointly); Equitable Securities Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane. **Bids** — Expected on Jan. 20. **Registration**—Planned for Dec. 23.

John C. Glidden With Stone & Webster

John C. Glidden has joined the sales department of Stone & Webster Securities Corporation, 90 Broad Street, New York City. He was formerly a general partner in the securities firm of Glidden, Morris & Co.

Mutual Funds

By ROBERT R. RICH

What's Ahead for the Economy Next Year

In contrast to the first two postwar recessions, which were primarily caused by inventory adjustments, the current third recession results to a great extent from temporary excess capacities and a resulting shrinkage in profit margins in a number of industries.

These factors have set in motion a decline in private investments in new plant and equipment which, during the first half of 1958, may reach an annual rate of $2 to $3 billion, accompanied by an inventory decline at a rate of about $1.5 billion, as against 1957 accumulations of $1.5 billion. In addition, the latest spell of "dollar shortage," especially in Western Europe, is likely to reduce our exports.

If it were not for the recent technological and diplomatic successes of the Soviet, the current recession might last somewhat longer than now seems likely. As it is, the down-trend in business is likely to be increasingly offset by rising government spending in the second half of 1958. Defense spending may rise about $2 billion annually by that time—without substantial offsetting budget cuts—and state and municipal spending should again climb by about $3 billion next year.

Thus, the country's overall business trend will probably be down in the first half of 1958, with good prospects for a gradual recovery in the second half of the year.

While the decline in the Federal Reserve Board production index in the first half of 1958 may be limited to perhaps 4 to 5%, carrying the index down to around 136 to 137, corporate profits, due to the big leverage factor, could well decline by an average of 10 to 12%, to rebound later in the year nearly as much. Naturally, strong companies in relatively well-situated industries will make a better showing.

Among the industries likely to turn in a superior profit showing next year are the following: Electric utilities, food processors, food chain stores, tire and rubber companies, electrical equipment makers for the utility industry and, later in the year, the producers of military electronics equipment. Some segments of the residential building industry may also benefit from a mild upturn in residential building. On the other hand, the industries closely identified with private capital outlays for plant and equipment, as well as those with fairly pronounced temporary excess capacities, could show a somewhat slow resilience during the first phase of recovery from the current recession.

On these assumptions, it is logical to expect a somewhat further easing in the money and capital markets during the first months in 1958, accompanied by renewed firmness in the bond markets. The stock market seems currently fairly well adjusted to these economic prospects, within 5 or 10% of its current level. Probably the political and psychological uncertainties in this situation are greater than the economic uncertainties. Russia's foothold in the Middle East and NATO's current weakness could produce unpleasant news and emotional swings in the stock market wider than warranted by economic considerations.

Mr. Bing's analysis includes projections for the major components of the Gross National Product, as broken down for the first half and the second half of 1958, and compared with his 1957 estimates and 1956 actual figures.

Sales Over $100 Million In 24th Month

Investor purchases of mutual fund shares in November exceeded $100,000,000 for the 24th consecutive month, according to the National Association of Investment Companies.

Reporting Dec. 16 on its 140 open-end member companies, the Association revealed that purchases by investors in November amounted to $100,291,000, compared with $135,125,000 in October and $113,282,000 in November a year earlier.

Value of shares turned in for redemption dropped in November to $28,017,000 from $35,648,000 the month before. In November of 1956, shares valued at $27,536,000 were redeemed.

Net assets of the Association's open-end member companies as of Nov. 30 amounted to $8,928,892,000, compared with $8,666,442,000 at the end of October and $8,751,774,000 at the same time last year.

The popularity of plans for the regular purchase of mutual fund shares continued in November as investors opened 17,663 new accumulation plan accounts.

Cash, U. S. Government securities and short-term obligations held by the 140 mutual funds totaled $516,036,000 at the end of November. This compared with cash holdings of $509,207,000 at the end of October.

Elmer J. Pearson

Elmer J. Pearson, partner in Rodman & Renshaw, passed away Dec. 4.

Keystone Sees Economic Upswing In Second Half

The growth potential of the United States, currently in a period of consolidation, will undergo no marked change until mid-1958, when the upward trend is likely to be resumed, according to the January-June 1958 issue of Keystone Custodian Fund's economic, business and financial outlook.

Keystone's economics department, headed by Andrew P. Ferretti, points out that the present readjustment is complicated by Federal debt problems, world-wide monetary questions, troubles in the Middle East, political problems at home, and by the psychological effect of the satellite launchings.

Looking ahead over the first half of 1958, the Keystone report considers numerous pertinent questions which must be answered before the economic outlook for the period can be determined. For example: What will businessmen do about plant expansion and inventories? How will labor unions handle wage negotiations? Will consumers support the automobile and new home markets? Will Congress reduce taxes?

The report suggests that the over-all decline in business expansion will be about 10%, but total construction may be substantially unchanged because of balancing factors like road building and municipal, state, church and commercial projects.

On the matter of wages and labor negotiations, Keystone economists observe that about one-third of the companies employing more than 5,000 workers will face wage negotiations in 1958.

"The first contracts of the Autoworkers Union (with the aviation companies) expire in March and the negotiations and attitudes of the autoworkers will indicate whether or not the economy will face an extended period of labor difficulties in 1958," the Keystone report states.

Among the industries and companies which will undergo wage negotiations are aircraft, apparel and textile manufacturers, and Consolidated Edison of New York early in the year; New England truckers in April; General Motors in May and Chrysler and Ford in June; Deere, International Harvester, Caterpillar Tractor, Allis Chalmers and New York trucking companies in July; airlines and glass companies in September. Various regional building trade contracts also expire throughout the year.

Except for the possibility of extended strikes in certain key industries, it appears that employment as a whole will be relatively stable in 1958. A moderate decline in the early months will be counterbalanced in the last half of the year, the outlook says.

Total consumer expenditures are expected to be somewhat higher in the second quarter of 1958 than for the corresponding period in 1957, and the Federal Reserve Board index of production, after declining slightly to 139 in the next few months, will ease back to somewhat higher levels when inventories have been worked off to the point where rebuilding is necessary.

Keystone economists hold out little hope for a tax reduction and estimate that there may even be a budget deficit of $1.8 billion. An increase in the Federal debt limit is practically certain, says the report. It also suggests that interest rates should firm and that an over-all better tone may be expected in the bond market.

No drastic changes in the economic situation are likely, according to the Report. "Industry adjustments, short of some cataclysmic international development, will not be severe enough to set off a major downward spiral in production and employment. . . . The growth potential in the U. S. A. is still there. This fact may again become clearer toward the middle of 1958 . . . and a renewed advance in business activity should come about in 1959 and 1960."

The Keystone publication includes two interesting charts showing the breakdown of 66,500,000 American workers by industry and a tabulation of the value of common stocks, by industry, listed on the New York Stock Exchange. Service industries today account for 60% of total employment, while manufacturing accounts for 25% and agriculture less than 10%. Since 1930 the number of agricultural workers has declined more than 50%.

Included is a list of key business indicators, with gross national product for the first half of 1958 listed at $435 billion, down slightly from estimated year-end figures. The entire back page of the Keystone outlook is taken up with financial and economic indices and data commonly used in analyzing basic trends in the American economy.

Tri-Con States Some Stocks Are Beyond Lows

A study of the group movements of stock prices indicates that some have already passed their low points even though the general market averages may continue to decline, according to a well-known Wall Street investment research organization.

The study was reported to Tri-Continental Corporation, the nation's largest diversified closed-end investment company, and three associated mutual funds, Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc., by the economists of Union Service Corporation.

It brought out that study of the group movements of stock prices since the end of 1953 "reveals that the general averages obscure the highly diverse results of individual industry groups of stocks."

"The timing of the highs of individual groups has been spread widely over the period," the report noted, "with the result that it was more important to recognize when the highs of the individual groups were being made than to be governed by general market considerations. This may also be true of the low points, and many groups may have completed their readjustments and be in a rising trend before the general stock price averages have reached their lows."

"With the record of the high prices of individual groups varying so widely," the report stated in amplification, "it is reasonable to expect the lows—while perhaps not to be so widely spread—to show considerable time differences from the lows indicated by the general market averages. This carries the implication that one should not concentrate on endeavoring to determine the exact low of the 'market,' but should concentrate on the problem of which individual groups have reached or passed their low points."

"Already it would appear that the Retail Stores-Food Chains, which stood at 35.60 on June 20, 1956, and have risen to a current figure of 40.00, may well not return to the earlier figure in the market and so have already passed their low point. Likewise, the drug stocks may have already seen their lows."

The report brought out that bull market highs of individual groups, during the period of the study, occurred at widely varying times, running all the way from January, 1954, the high of the Beverages-Brewers group, to Novem-

ber, 1957 (Tobacco-Cigar Manufacturers).

Another notable feature brought out in the study was the "generally modest participation in the bull market of the consumer goods stocks, which as a class were in the forefront of the 1942-46 bull market."

The report noted that "with the prospect of a slowing down in capital expansion for the next year or so, and the probability that consumer incomes will be relatively well maintained because of social legislation and perhaps government assistance, an interesting question is raised as to whether in the period ahead the stocks of companies dependent on consumer purchasing power will not make a better showing than those dependent on capital expansion."

"There are," the report added, "many complex factors involved in such a question, but it is an area deserving of real study since one often encounters new leaders in each succeeding forward movement of the stock market."

While it is a difficult task to forsee changes which, in hindsight, show enormous potentiality for profit in selecting the right group of stocks, the report stated, "it can, however, be fairly said that the chance of being able to spot an industry change or the relative attractiveness of groups is greater than attempting to forecast general market movements."

Boston Income Fund Declares Dividend

The Income Fund of Boston, Inc. announces that the directors have declared a quarterly dividend of 12c per share from net investment income payable to shareholders on Dec. 16, 1957.

Total dividend payments from net investment incomes during the first nine months of the fund's current fiscal year were 35.7c per share, compared with 35c per share paid in the corresponding period of the preceding year (adjusted for 20% stock dividend paid to shareholders of record April 30, 1957).

The total assets of the fund on Oct. 31, 1957 were $17,006,952, an increase of 32.6% over the total assets of $12,830,768 reported on Oct. 31, 1956. The net assets on Oct. 31, 1957 were $14,938,610, an increase of 34.9% over the net assets reported on the corresponding date one year earlier.

During the quarter ending Oct. 31, 1957 the fund has continued to purchase bonds and fixed dollar obligations. On that date 10.52% of the fund's total assets were invested in bonds and preferred stocks and 87.39% in common stocks. The fund's portfolio represents investments in 119 securities which on the average have paid consecutive dividends for 22.6 years.

The average age of the companies (including predecessors) whose securities are held by the fund is 63.4 years, and 97% of these securities are reported held by financial institutions, such as insurance companies, investment trusts, and the like.

Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—James F. Pannell has been added to the staff of Reynolds & Co., 425 Montgomery Street.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Frank L. Nipp is now affiliated with Walston & Co., Inc., 265 Montgomery Street.

Two With First Southern

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Roy V. Clayton and John P. Norvell have joined the staff of First Southern Corp., 652 Peachtree St., Northeast.

Manhattan Bond Fund Reports

Manhattan Bond Fund, Inc., in its annual report for the year ended Oct. 31, 1957 makes several points of more than passing interest to shareholders and to bond investors in general.

First, "Lower bond prices do not necessarily indicate lower credit standing for the issuing companies, or any basic change in their financial position or ability to pay bond interest." In this connection the report points out that in 1954, when bond prices were relatively high, the average after-tax earnings of the companies whose obligations are currently held by the fund "were 3.91 times their bond interest requirements. In 1956, they averaged 4.15 times such requirements."

Secondly, the report states that continued easing of the money situation is likely to affect bond prices favorably and thus, the net asset value of shares of Manhattan Bond Fund. "While it is too early to appraise the long-term significance of the recent Federal Reserve action, it should be observed that the bonds now held by your fund are selling at prices which provide possibilities for substantial improvement. The average market price of the bonds held by Manhattan Bond Fund on Oct. 31, 1957 was 71¾." Net asset value per share on Oct. 31 was $6.25, compared with $7.38 a year earlier. Total net assets were $18,855,312 compared with $22,594,864 on the same date last year.

The report reminds shareholders that "Income continuity is usually one of the chief objectives of the bond investor." Over the past decade, dividends paid by the fund from net investment income have varied within a range of only 3.5 cents per share per year; from 37 cents in 1952 to 33.5 cents in 1949. The 1957 payment totaled 34.5 cents.

During the six months since the fund's semi-annual report for the period ended April 30, 1957 bonds newly added to the fund's holdings included Columbia Gas System debentures, series H, 5½s, 1982; J. Ray McDermott & Co., convertible subordinated debentures, 5s, 1972; and Shamrock Oil & Gas Corp., convertible subordinated debentures, 5¼s, 1982.

Eliminated were Southern Pacific Co., 4½s, 1981. Reductions were made in previous holdings of American & Foreign Power Co., Inc., junior debentures, 4.80s, 1987; Cleveland, Cincinnati, Chicago & St. Louis Ry. Co., refunding and improvement, series E, 4½s, 1977; Denver & Rio Grande Western Railroad Co., income mortgages, series A, 4½s, 2018; Gulf, Mobile & Ohio Railroad Co., general mortgage income, series A, 5s, 2015; The New York Central Railroad Co., refunding and improvement mortgage, series A, 4½s, 2013; New York, Chicago & St. Louis Railroad Co., income debentures, 4½s, 1989; Tennessee Gas Transmission Co., debentures, 4¼s, 1974.

Continued from page 7

Meeting Deep-Seated Problems With a Firm National Purpose

sults require a patient process of education, organization and capital formation.

Underdeveloped and newly independent areas too often seek to absorb in a few years political, social and industrial developments which have taken 150 years in the Western World.

These pressures are further complicated by an unprecedented surge of population growth.

Population Pressure

For instance, when most of us were born there were less than 100,000,000 people in the United States. Today there are 170 million.

At our present growth rates, by 1980 there will be 260,000,000; by the year 2,000 there will be 307,000,000 — almost equal to the population of India.

And should these rates continue, it is estimated that in 100 years there would be over a billion people in the United States. Even with our great resources, the problems we face are tremendous. But they are nothing compared to those faced by the people of the underprivileged areas.

The rates of population growth in the underdeveloped areas of Latin America, Asia and Africa are running even higher than ours —at a rate which will double their populations in the next 30 years.

While the productivity of these areas is also going up, the truly frightening indications are that the population growth is rising even faster. The result is that these areas of the world face the possibility of a declining rather than a rising standard of living—this in the face of the surge of rising expectations and the weakness of the world's political structure.

As things now stand, it is hard to see how the 70 or more independent nations of the underdeveloped areas can cope with the impact of this situation.

Science and Development

This brings us to the third revolutionary force being felt throughout the world — that of scientific discovery and development.

It is a revolution that is with increasing rapidity changing every phase of our lives. It opens up new and undreamed of vistas of opportunity for the future but at the same time undermines the very basis of our security.

On the one hand, these revolutionary developments in science may well hold the secret to abolition of poverty and want.

On the other hand, new and frighteningly destructive weapons technology is bringing about a situation where incredible devastation could be triggered without warning. This factor alone makes it clear that the construction of a peaceful international order has never been more important.

And lastly, let us consider the revolution of the Sino-Soviet Communism.

In the midst of this world-wide upheaval, there has been released an ideological and imperialist force bent on conquering the world through any and all means.

Born in Germany, it spread from a small movement of 80,000 people in Czarist Russia 40 years ago, to control of over a billion people — more than one-third of the population of the world.

Neither Chinese nor Soviet Communism recognizes any of the traditional or conventional concepts of diplomacy—either in negotiation or agreement. Because they consider negotiations only as a tactical tool to encompass the downfall of the non-communist world, their word means nothing and they do not consider their treaty agreements as binding.

Thus where the revolution of rising expectations is on the whole produced by the desire of newly awakened peoples to enter an international system based on the principles of respect for human and national dignity, the thrust of Communism is to **overthrow** such a system.

To quote their own official declaration made only a short time ago: "Marxism—Leninism is in principle against petty-bourgeois humanism which operates under the slogan of defense of an abstract human being and humanity in general."

We must face up to the fact that much of the danger of communism lies in its strong sense of purpose and direction. In a world where so many institutions are changing or collapsing, it appears to offer something tangible, something to which to cling.

The loss of liberty it entails may be less meaningful to people who have never known freedom than to us.

We as a nation are interested in stability—therefore our goals require long-range plans and constructive programs.

The Soviets are interested in instability. Their goal is to heighten tensions, promise all things to all people. But they have only one objective in mind —ultimate world domination.

We want peace — the Soviets want victory.

Thus we and the rest of the free world face grave peril. Never before has **all** mankind been so dangerously threatened.

What Are We For?

To master and guide the revolutionary forces in the world will require positive motives on our part. It is not enough to know what we are against, it is also essential to know what we are **for.**

Only in this manner can the world-wide revolution which we ourselves have helped to spark, move into constructive channels.

If the United States is to play its rightful role of leadership in creating such a structure, it can only do so if we as a people really understand the nature and implications of the basic revolutionary forces which exist in the world; if we recognize that we as a nation cannot live apart from the rest of mankind—either materially, politically or spiritually; and if we recognize that the world has reached a point in its development where the well-being of nations and peoples cannot be achieved except within a framework which can encompass the world as a whole.

Out of such an understanding, we can develop the necessary sense of national purpose based on our heritage of moral and spiritual beliefs.

The effect of achieving a national purpose related to the world as a whole will be to: give meaning and value to the innumerable problems we face today at home and abroad and to relate them to each other; it will make it possible for us to establish priorities in our plans and actions; it will give continuity to our objectives.

Submits Program

Specifically, our objectives must include:

First, to create the sense of security, confidence and direction which can help to shape events and avoid crises. This requires the establishment of a workable, acceptable framework for world order and development.

The United Nations is prevented from providing this framework because of the Soviet Communist Bloc, which seeks to bring about a totalitarian world organization.

Therefore, the only way in which the true hopes and aspirations of the peoples of the world can be achieved is to develop communities of sovereign nations within the structure of the United Nations as provided in Article 51 of the Charter.

There must be regional and functional groupings encompassing all nations of the free world, whether neutral or not.

We have a basic pattern for developing such a structure of free world communities in the work of the 21 American Republics during the past 100 years. It provides a foundation on which to build.

As these communities, regional or otherwise, gain in strength and cohesiveness, they will be able better to cooperate among themselves and bring about an ever larger consensus.

This in fact the greatest prospect for strengthening the United Nations and for fulfilling the high hopes held for it at its beginning.

Second, to foster within this framework existing and new international institutions designed to assist in meeting functional needs. Institutions such as the World Health Organization, the International Bank, International Finance Corporation and the Monetary Fund.

These institutions are the best tools for facilitating joint actions by the sovereign nations in their struggle to meet the needs of their people and the pressures caused by their growing populations.

Imaginatively designed institutions on a world or regional basis can help bridge the gap between free enterprise and state regulated economies and facilitate the flow of capital to needed areas.

Third, we must face squarely the totality of the Sino-Soviet Communist threat in all its phases —political, psychological, economic and military.

By effectively carrying out the first and second objectives we should be able to minimize the communist efforts to capitalize on this period of emerging hopes in order to subvert and enslave the free peoples of the world.

In the military field there is no time to lose in taking certain fundamental steps, particularly:

Our Strength at Home

A national program of scientific education, training and basic research; the reorganization of the Defense Department to permit: overall strategic planning and weapons development, centralized direction and financing of research and development, unified commands, flexible and decisive handling of any limited war which might be forced on us, military cooperation with our allies on a basis of true partnership and mutual respect.

Such a program must be adequately financed and our national economy protected from distortions in the process.

Only thus can we provide for ourselves and the free world the time and opportunity to achieve the positive goals of humanity.

And last (but by no means least), we must face squarely at home the basic problems of equal opportunity in education, in work, in social welfare; face squarely the fact that we cannot achieve our international goals by giving up our social gains.

But to accomplish these goals, we must get rid of the softness and waste that have crept into the fibre of our democracy.

In conclusion, may I say that our determination to follow such a national purpose can give new meaning and value to the lives of every American, as well as to people throughout the world. Let us rededicate ourselves to the great and basic beliefs of our nation:

The brotherhood of man and the power of love;
The dignity and worth of the individual;
The equality of man and his inherent rights to life, liberty and happiness; and
The challenge and responsibility of opportunity.

With B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — M. Manuel Helfman is now with B. C. Morton & Co., Penobscot Building.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Dec. 22	§67.9	*69.2	76.0	102.6
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 22	§1,739,000	*1,770,000	1,945,000	2,525,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 6	6,849,500	6,829,350	6,796,220	7,353,200
Crude runs to stills—daily average (bbls.)	Dec. 6	¶7,807,000	7,807,000	7,540,000	7,865,000
Gasoline output (bbls.)	Dec. 6	27,670,000	27,205,000	26,224,000	27,237,000
Kerosene output (bbls.)	Dec. 6	2,447,000	2,292,000	1,934,000	2,885,000
Distillate fuel oil output (bbls.)	Dec. 6	12,896,000	12,554,000	11,870,000	13,198,000
Residual fuel oil output (bbls.)	Dec. 6	7,592,000	7,322,000	7,151,000	8,360,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 6	188,087,000	*185,203,000	180,805,000	175,427,000
Kerosene (bbls.) at	Dec. 6	31,283,000	32,661,000	34,177,000	33,111,000
Distillate fuel oil (bbls.) at	Dec. 6	163,145,000	167,594,000	173,963,000	145,550,000
Residual fuel oil (bbls.) at	Dec. 6	58,839,000	58,807,000	59,338,000	43,755,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 7	617,838	553,722	675,273	738,251
Revenue freight received from connections (no. of cars)	Dec. 7	528,911	548,125	586,246	662,434
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 12	$226,549,000	$200,970,000	$372,988,000	$528,078,000
Private construction	Dec. 12	114,409,000	75,807,000	152,699,000	372,307,000
Public construction	Dec. 12	112,140,000	125,163,000	220,289,000	155,771,000
State and municipal	Dec. 12	105,251,000	118,735,000	166,675,000	122,812,000
Federal	Dec. 12	6,889,000	6,428,000	53,614,000	32,959,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 7	9,070,000	8,090,000	9,400,000	10,774,000
Pennsylvania anthracite (tons)	Dec. 7	455,000	374,000	458,000	628,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 7	215	*159	135	226
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 14	12,570,000	12,315,000	11,953,000	12,220,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 12	269	287	306	249
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 10	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Dec. 10	$66.42	$66.42	$66.42	$63.04
Scrap steel (per gross ton)	Dec. 10	$32.00	$32.00	$33.00	$65.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 11	26.375c	26.075c	26.575c	35.475c
Export refinery at	Dec. 11	22.425c	22.800c	23.175c	34.500c
Lead (New York) at	Dec. 11	13.000c	13.000c	13.500c	16.000c
Lead (St. Louis) at	Dec. 11	12.800c	12.800c	13.300c	15.800c
‡Zinc (delivered) at	Dec. 11	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Dec. 11	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Dec. 11	26.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	Dec. 11	92.750c	91.500c	89.500c	104.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 17	93.27	93.28	89.08	88.33
Average corporate	Dec. 17	91.62	90.63	88.95	96.23
Aaa	Dec. 17	99.52	98.41	94.41	100.00
Aa	Dec. 17	95.16	93.97	91.77	98.41
A	Dec. 17	90.77	89.78	88.95	96.23
Baa	Dec. 17	82.27	81.42	81.29	90.48
Railroad Group	Dec. 17	88.95	87.86	86.91	94.86
Public Utilities Group	Dec. 17	91.19	90.48	88.67	97.16
Industrials Group	Dec. 17	94.86	93.52	91.19	96.69
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 17	3.08	3.07	3.45	3.48
Average corporate	Dec. 17	4.30	4.37	4.49	3.99
Aaa	Dec. 17	3.78	3.85	4.11	3.75
Aa	Dec. 17	4.06	4.14	4.29	3.85
A	Dec. 17	4.36	4.43	4.49	3.99
Baa	Dec. 17	5.00	5.07	5.08	4.38
Railroad Group	Dec. 17	4.49	4.57	4.64	4.08
Public Utilities Group	Dec. 17	4.33	4.38	4.51	3.93
Industrials Group	Dec. 17	4.08	4.17	4.33	3.96
MOODY'S COMMODITY INDEX	Dec. 17	391.7	392.8	386.3	439.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 7	316,667	237,804	281,322	327,486
Production (tons)	Dec. 7	258,322	269,285	287,763	275,413
Percentage of activity	Dec. 7	84	86	94	95
Unfilled orders (tons) at end of period	Dec. 7	409,957	355,159	485,369	451,288
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 13	107.81	108.68	109.60	109.62
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 23	537,606	472,680	744,345	413,258
Short sales	Nov. 23	687,056	635,800	909,975	482,356
Other sales	Nov. 23	3,080,460	2,443,490	4,243,160	1,883,490
Total sales	Nov. 23	657,150	827,350	1,030,410	362,220
Other transactions initiated on the floor—					
Total purchases	Nov. 23	2,186,086	1,877,310	3,632,515	1,589,668
Short sales	Nov. 23	2,843,236	2,704,660	4,662,925	1,951,888
Other sales	Nov. 23	1,305,322	1,244,973	2,657,011	1,119,047
Total sales	Nov. 23	$53,691,351	$51,551,986	$110,734,130	$58,844,058
Other transactions initiated off the floor—					
Total purchases	Nov. 23	1,070,306	960,910	1,645,299	825,727
Short sales	Nov. 23	25,031	23,100	46,347	11,372
Other sales	Nov. 23	1,045,275	937,810	1,598,952	814,355
Total sales	Nov. 23	$43,988,883	$39,971,650	$71,874,869	$42,504,110
Total round-lot transactions for account of members—					
Total purchases	Nov. 23	284,930	246,160	298,590	181,420
Short sales	Nov. 23	------	------	------	------
Other sales	Nov. 23	284,930	246,160	298,590	181,420
Total sales	Nov. 23	569,110	522,130	1,298,350	466,070
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Nov. 23	1,867,080	1,534,060	2,821,550	1,276,500
Dollar value	Nov. 23	437,600	537,830	739,680	272,520
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 23	1,231,200	1,042,710	2,410,820	969,040
Customers' short sales	Nov. 23	1,668,800	1,580,540	3,150,500	1,241,560
Customers' other sales	Nov. 23	431,530	347,750	517,580	243,990
Dollar value	Nov. 23	70,100	126,400	125,100	20,600
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 23	417,280	361,920	477,350	207,370
Short sales	Nov. 23	487,380	488,320	602,450	227,970
Other sales	Nov. 23	761,850	561,681	904,030	362,960
Round-lot purchases by dealers—					
Number of shares	Nov. 23	149,450	163,120	165,630	69,100
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Nov. 23	1,054,470	1,228,980	1,566,810	517,230
Other sales	Nov. 23	13,189,350	11,260,460	20,634,830	9,522,850
Total sales	Nov. 23	14,243,820	12,489,440	22,201,640	10,040,080
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Dec. 10	118.0	*117.9	117.8	116.2
Farm products	Dec. 10	91.8	*91.6	91.8	88.6
Processed foods	Dec. 10	107.0	*106.3	106.3	103.0
Meats	Dec. 10	94.1	92.3	93.2	79.5
All commodities other than farm and foods	Dec. 10	125.7	*125.7	125.6	124.6

*Revised figure. ¶Includes 986,000 barrels of foreign crude runs. §Based on new annual capacity of 133,495,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of October (in millions):			
Total new construction	$4,452	$4,565	$4,302
Private construction	3,050	3,102	3,003
Residential buildings (nonfarm)	1,535	1,565	1,580
New dwelling units	1,120	1,140	1,195
Additions and alterations	367	378	344
Nonhousekeeping	48	47	41
Nonresidential buildings	802	802	797
Industrial	256	260	278
Commercial	332	322	320
Office buildings and warehouses	177	168	160
Stores, restaurants, and garages	155	154	160
Other nonresidential buildings	214	220	199
Religious	80	81	75
Educational	47	47	49
Hospital and institutional	44	48	31
Social and recreational	27	28	27
Miscellaneous	16	16	17
Farm construction	133	159	130
Public utilities	563	558	484
Railroad	42	41	41
Telephone and telegraph	94	89	100
Other public utilities	427	428	343
All other private	17	18	12
Public construction	1,402	1,463	1,299
Residential buildings	53	52	30
Nonresidential buildings	403	413	371
Industrial	34	34	42
Educational	262	261	226
Hospital and institutional	26	29	30
Administrative and service	40	45	38
Other nonresidential buildings	41	44	35
Military facilities	128	134	141
Highways	555	580	512
Sewer and water systems	118	127	120
Sewer	73	77	65
Water	45	50	55
Public service enterprises	38	44	35
Conservation and development	96	102	79
All other public	11	11	11
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of September (Millions of dollars):			
Manufacturing	$54,100	*$54,200	$50,800
Wholesale	12,800	12,800	12,600
Retail	24,500	*24,300	23,400
Total	$91,400	*$91,300	$86,900
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of November (000's omitted):			
Total U. S. construction	$1,231,900	$1,699,872	$1,735,723
Private construction	564,899	866,630	976,252
Public construction	667,001	833,242	759,471
State and municipal	560,310	703,356	641,801
Federal	106,691	129,886	117,670
COAL EXPORTS (BUREAU OF MINES)— Month of August:			
U. S. exports of Pennsylvania anthracite (net tons)	449,279	288,910	465,024
To North and Central America (net tons)	213,789	142,770	220,274
To Europe (net tons)	212,139	138,539	229,053
To Asia (net tons)	19,579	------	15,697
To South America (net tons)	3,442	7,601	------
Undesignated	330	------	------
COAL OUTPUT (BUREAU OF MINES)—Month of October:			
Bituminous coal and lignite (net tons)	45,550,000	40,750,000	47,869,000
Pennsylvania anthracite (net tons)	2,162,000	*2,185,000	2,971,000
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of Oct. 31:			
Total consumer credit	$43,028	$43,011	$40,196
Instalment credit	33,244	33,159	30,811
Automobile	15,539	15,519	14,478
Other consumer goods	7,871	7,867	7,601
Repairs and modernization loans	1,879	1,860	1,781
Personal loans	7,955	7,913	6,951
Noninstalment credit	9,784	9,852	9,385
Single payment loans	3,560	3,644	3,310
Charge accounts	3,948	3,898	3,875
Service credit	2,276	2,310	2,200
CONSUMER PRICE INDEX — 1947-49 = 100— Month of October:			
All items	121.1	121.1	117.7
Food	116.4	117.0	113.1
Food at home	114.7	115.5	111.7
Cereals and bakery products	131.4	131.2	126.8
Meats, poultry and fish	106.3	110.3	100.8
Dairy products	114.2	113.1	110.7
Fruits and vegetables	114.5	114.8	113.9
Other foods at home	116.2	116.0	115.8
Housing	126.6	126.3	122.8
Rent	136.0	135.7	133.4
Gas and electricity	113.8	113.7	112.0
Solid fuels and fuel oil	137.6	136.8	132.9
Housefurnishings	104.8	104.6	103.6
Household operation	128.7	128.3	124.2
Apparel	107.7	107.3	106.8
Men's and boys'	109.4	109.3	108.2
Women's and girls'	100.6	99.8	100.1
Footwear	128.3	128.1	126.2
Other apparel	92.5	92.3	92.1
Transportation	135.8	135.9	132.6
Public	181.6	181.1	173.0
Private	125.4	125.5	122.9
Medical care	139.7	139.0	134.1
Personal care	126.2	125.1	120.8
Reading and recreation	113.4	113.3	108.5
Other goods and services	126.8	126.7	123.0
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of October (in billions):			
Total personal income	$345.6	*$346.6	$331.1
Wage and salary receipts, total	239.9	*241.5	230.4
Commodity producing industries	100.8	*102.2	99.6
Distributing industries	64.6	*64.8	60.9
Service industries	33.9	33.9	31.5
Government	40.6	*40.6	38.4
Less employees' contribution for special insurance	6.8	6.8	5.7
Other labor income	8.0	8.0	7.6
Proprietors and rental income	51.0	51.1	49.9
Personal interest income and dividends	31.7	*31.6	30.1
Total transfer payments	21.8	*21.2	18.8
Total nonagricultural income	330.3	*331.3	316.1
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of October:			
Net sales	------	------	------
Net purchases	$26,571,900	$10,330,300	$56,176,500

Our Reporter's Report

The underwriting fraternity, or at least that part of it which handles the task of floating new corporate securities, is coming down to the year-end with its house in pretty good order, much more so, in fact, than appeared likely to be the case a couple of months ago.

Unsold remnants of new emissions are the exception rather than the rule, quite in contrast with the situation which prevailed prior to the Federal Reserve's reversal of its credit policy. Up to that point, yields were falling and ran close to 5% on some of the best names among corporate borrowers.

Even at those levels it appeared hard to move offerings. There's an old saying around the Street, "Don't try for the last eighth." It applies, of course, primarily to stock traders, or speculators if you will.

But for a time, it certainly appeared as though the "ballroom boys" as portfolio managers for large institutional investors are tabbed among some in investment banking circles, were holding out for the last hundredth in basis point on the yield side.

And for a spell they did pretty well after long years of lean pickings when the borrower was the boss. But, as usually happens, the turnabout eventually came, and recognizing the Reserve's action as a long-range barometer, big investors were quick to grab up available high-yield debt securities, many of them carrying the further protection of five and 10-year noncallable clauses.

Right now, unless there were to be a sudden and drastic shift in indicated credit policy, they are sitting pretty on those recent purchases.

Treasury Bonds

Treasury bonds, especially the long-terms, have set the pace for the investment market generally. The Government list undoubtedly was depressed far beyond reason on its long drop from the levels of a few years back.

This line of reasoning probably explains in no small measure the rousing scope of the advance which has been in progress. But that, of itself, is hardly to be regarded as the whole story.

On the contrary, it should be recognized that with the Federal Reserve committed to a policy of seeking to "check" the slipping economy, any operations of its open market committee would be primarily on the buying side of governments.

Accordingly dealers, who not long ago were inclined to carry only meagre inventories now are willing to expand such holdings. And banks, with demand for funds rather light despite the season, are probably keeping money at work in Treasurys.

Calendar Bare

For the next fortnight the new issue calendar is absolutely bare so far as corporate debt offerings are concerned. It is necessary to jump all the way ahead to Jan. 9 for the next formidable piece of new business, Connecticut Light & Power Co.'s $30 million of bonds.

On the same day Washington Water Power Co. also is slated to offer bonds and debentures in the combined amount of $30 million. These two will touch off the New Year in corporate financing.

Commonwealth Edison Co. is tentatively scheduled to open bids for $50 million of bonds and debentures on Jan. 14, opening up a week which brings several other Street-sided issues and also Royal Dutch Petroleum Co."s "rights" offering of common stock designed to raise $200 to $250 million.

Continued from page 2

The Security I Like Best

opinion, this is a realistic appraisal and serves to illustrate the substantial values behind Southdown stock which is, at this writing, is priced in the 33-35 range. (Table I.)

In addition to the acreage cited in Valuation Summary, Southdown owns mineral interests in 11,100 acres in Alabama and in 14,192 acres in Mississippi, 1,513 acres of which are under lease, to which no value has been assigned.

Earnings and dividend on the 1,161,600 shares outstanding have shown annual increases, as shown in Table II.

While the current return of 60c per share is modest, the high intrinsic value plus the excellent possibilities for further increases resulting from mineral activity and growing land values, make the stock a most attractive investment. Southdown Sugars, Inc., is not listed but is traded actively in the Over-the-Counter Market. The stock is speculative and suitable for individuals and institutions investing for capital gains.

TABLE I
VALUATION SUMMARY

	Acres O ned	Value Per Acre	Total Value
Gibson Field	3,438	$5,000	$17,190,000
Hollywood Field	3,356	500-20,000	41,066,000
Crescent Farms Field	2,552	5,000	12,760,000
Hollywood—Crescent Farms Area	3,373	5,000	16,865,000
Ardoyne Plantation	2,412	300	723,600
Waterproof Area	3,518	500	1,759,000
Lake Hatch Area	5,547	400	2,218,000
Vacherie Area	5,363	1,000	5,363,000
La Pice Area	90	1,500	135,000
Acadia Plantation	682	1,000	682,000
Salsburg Plantation	1,142	500	571,000
Lockport Area—Nora Plantation	410	1,500	615,000
Thibodaux Area	5,475	500	2,737,500
St. Rose Plantation	1,193	300	357,900
New Hope Area	3,297	1,000	3,297,000
Rearwood Plantation	1,175	1,000	1,175,000
Monroe Area	3,253	1,500	4,879,500
			$112,732,800
		Per Share	$97.05

TABLE II

Year Ended Feb. 28	Net Earnings Per Share1	Dividends1
1958	----	$.60[2]
1957	$1.10	.45[3]
1956	.90	.41[4]
1955	.75	.33
1954	.67	.33[5]
1953	.53	.25

1 Adjusted to present capitalization—1,161,600 shares.
2 Plus 10% stock dividend, April 1957.
3 2 for 1 stock split, October 1956.
4 Plus 10% stock dividend, April 1955.
5 Plus 25% stock dividend, January 1954.

To Light Wall Street Annual Christmas Tree

At noon, Friday, Dec. 20, Keith Funston, President of the New York Stock Exchange, will formally light the Financial Community's traditional Christmas Tree —a 50-foot spruce — on Broad Street in front of the Exchange.

Raymond Bietry Jr., 11-year old chorister who sings with the famed Trinity Church Choir, will assist Mr. Funston in this annual ceremony. The Choir itself will sing Christmas carols. All the singers — 28 boys from 9 to 14 years old and 12 men — will be dressed in black cassocks and white surplices.

DIVIDEND NOTICES

CITY INVESTING COMPANY
25 Broad Street, New York, N. Y.

The Board of Directors of this company on December 18, 1957, declared a dividend of 20 cents per share on the oustanding Common Stock of the company payable February 3, 1958, to stockholders of record at the close of business on January 10, 1958.

JOHN A. KENNEDY,
Vice President & Secretary

COMBUSTION ENGINEERING

C·E

Dividend No. 217

A Quarterly Dividend of Twenty-Eight Cents (28¢) per share on all the outstanding stock of Combustion Engineering, Inc. has been declared, payable January 23, 1958, to stockholders of record at the close of business December 26, 1957.

OTTO W. STRAUSS
Vice-President and Treasurer

CONSOLIDATED NATURAL GAS COMPANY
30 Rockefeller Plaza
New York 20, N. Y.

DIVIDEND NO. 40

THE BOARD OF DIRECTORS has this day declared a regular quarterly dividend of Fifty Cents (50¢) per share on the capital stock of the Company, payable February 15, 1958 to stockholders of record at the close of business January 15, 1958.

R. E. PALMER, *Secretary*
December 12, 1957

DIAMOND GARDNER
CORPORATION

76th CONSECUTIVE YEAR OF DIVIDENDS

GROWING FOR THE FUTURE

diamond gardner

The Board of Directors of the Diamond Gardner Corporation on December 12, 1957, declared a regular quarterly dividend of 45c per share on the Common Stock. At the same meeting the Board also declared a quarterly dividend of 37½c per share on the $1.50 Cumulative Preferred Stock. Both dividends are payable February 1, 1958 to stockholders of record January 3, 1958.

PERRY S. WOODBURY
Secretary and Treasurer

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DIVIDEND NOTICES

DOME MINES LIMITED

December 9, 1957

DIVIDEND NO. 161

At a meeting of the Board of Directors of Dome Mines Limited, held this day, a quarterly dividend of Seventeen and One-half Cents (17½c) per share (in Canadian Funds) was declared payable on January 30, 1958, to shareholders of record at the close of business on December 30, 1957.

CLIFFORD W. MICHEL,
President and Treasurer.

GENERAL REALTY & UTILITIES CORPORATION

Dividend on Capital Shares

The Board of Directors has declared a quarter-annual dividend of 20 cents per share on the Capital Shares of the Corporation, payable January 2, 1958, to stockholders of record at the close of business December 16, 1957.

SAMUEL M. FOX, Treasurer.
December 16, 1957.

INTERNATIONAL SHOE COMPANY
ISCO
St. Louis

187TH CONSECUTIVE DIVIDEND
Common Stock

A quarterly dividend of 60¢ per share payable on January 1, 1958 to stockholders of record at the close of business December 13, 1957, was declared by the Board of Directors.

ANDREW W. JOHNSON
Vice-President and Treasurer

December 3, 1957

PACIFIC POWER & LIGHT COMPANY

Dividend Notice

Quarterly dividends of $1.25 per share on the 5% preferred stock, $1.13 per share on the 4.52% serial preferred stock, $1.54 per share on the 6.16% serial preferred stock, and 40 cents per share on the common stock of Pacific Power & Light Company have been declared for payment January 10, 1958, to stockholders of record at the close of business December 31, 1957.

H. W. Millay, *Secretary*

PORTLAND, OREGON
December 11, 1957

William C. Jackson

William C. Jackson, limited partner in Merrill Lynch, Pierce, Fenner & Beane, passed away Dec. 4.

DIVIDEND NOTICES

CANADIAN PACIFIC RAILWAY COMPANY

Dividend Notice

At a meeting of the Board of Directors held today a final dividend of seventy-five cents per share on the Ordinary Capital Stock was declared in respect of the year 1957, payable in Canadian funds on February 28, 1958, to shareholders of record at 3:30 p. m. on January 6, 1958.

By order of the Board.

T. F. Turner,
Secretary.

Montreal, December 9, 1957.

THE GARLOCK PACKING COMPANY

December 11, 1957
COMMON DIVIDEND No. 326

At a meeting of the Board of Directors, held this day, a quarterly dividend of 25¢ per share and an *extra* dividend of 25¢ per share were declared on the common stock of the Company, payable December 27, 1957, to stockholders of record at the close of business December 18, 1957.

H. B. PIERCE, *Secretary*

USMC

UNITED SHOE MACHINERY CORPORATION

210th Consecutive Quarterly Dividend

The Board of Directors has declared a dividend of 37½ cents per share on the Preferred stock and 62½ cents per share on the Common stock, both payable February 1, 1958 to stockholders of record January 3, 1958.

WALLACE M. KEMP,
December 11, 1957 *Treasurer*

UNITED UTILITIES, INCORPORATED
51st Consecutive Dividend

UNITED UTILITIES SYSTEM

The Board of Directors declared a quarterly dividend of 30 cents per share and an extra dividend of 5c per share on the outstanding common capital stock of the company, payable on or before December 31, 1957, to stockholders of record at the close of business December 12. 1957.

Abilene, Kans. ALDEN L. HART,
December 6, 1957 President

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Vice-President Richard M. Nixon and Adlai E. Stevenson, the possible candidates for the Presidency in 1960, shook hands and exchanged pleasantries on more than one occasion when Stevenson was here as a consultant to the State Department recently preliminary to the NATO meeting in Paris.

Stevenson facetiously described himself as the "twice-defeated prophet of doom." The titular head of the Democratic party in referring to himself as the prophet of doom is directing a few jibes at the Republicans because the Russians have dramatically launched their scientific missiles. During the 1956 campaign the Republican speechmakers called Stevenson a prophet of gloom and doom.

There are numerous pro-Stevenson Democrats in Washington asserting that Stevenson is probably the Democratic party's strongest man. They believe he can beat Mr. Nixon. However, this may be wishful thinking on the part of the friends of the former Governor.

There are several would-be Democratic presidential candidates who have their eye on the nomination, hopeful that political fortune will strike their way. However, Mr. Stevenson stoutly maintains that he is not a candidate for the presidency. A twice-defeated candidate might be a liability. There is no way to prove it. It would be up to the delegates to make the final decision.

Politics and Next Congress

Meantime, politics has begun to stir preliminary to the Jan. 7 beginning of the new Congress. Democrats, after President Eisenhower's recent conference with Republican and Democratic leaders at the White House, said the President and his administration showed "no sense of urgency" at the meeting. The Democrats think the Republicans are in hot water over the Russian sputniks. The Democrats also say the Republicans have been reluctant to tell the American people that the U. S. is facing a great crisis.

The approaching session will be marked with legislation and discussion on National defense and foreign policy. However, there will be other important proposals. Domestic issues will have an important place, because 1958 is National election year. The entire House membership and one-third of the Senate membership comes up for election. Therefore, politics will start early.

"Rough and Tumble Affair"

Representative John W. Byrnes, a hard-working young Republican from Wisconsin, probably summed up the opinion of many members of Congress, the other morning as he drove from his suburban Virginia home to his office on Capitol Hill. "This coming session is shaping up as a mean one," said he. "Frankly, it looks like a rough and tumble affair. Let us hope, however, that it will prove to be a constructive session."

The Tax Outlook

As it appears at this time the new session faces the prospect of not providing a tax cut, because of a new emergency. As it has been pointed out here before, a new crisis year after year usually crops up to prevent a tax reduction. However, most bipartisan students of government and the average businessman realize that a tax reduction could be obtained, if a majority of members of Congress made up their minds that a tax cut was necessary for the betterment of the economy of the country. But first the people of the country must demand a reduction.

Meantime, it appears that Congress will extend in 1958 for another year the existing corporation income tax and excise tax. There is also the possibility, over the vigorous opposition of Senator Harry F. Byrd of Virginia, that the debt ceiling of the nation will be increased.

ABA Legislative Proposals

There is a series of pending bills of marked interest to the banks of the country. The banking committees of Congress will be busy with hearing early in the session. Among measures the American Bankers' Association have expressed interest as favoring are:

Free the interest rate for Federally insured and guaranteed loans: continue the voluntary home mortgage credit program: permit the Veterans Administration loan guaranty and direct loan program to expire: authorize the organization of national investment companies to make loans to businesses and purchase their debentures, bonds or common or preferred stocks, and authorize an objective study of the nation's financial system by a qualified commission.

Proposals the Association oppose include the liberalization of Federal-supported mortgage insurance programs; extend the life of the Small Business Administration; include pension, profit and welfare funds qualified for tax exemption in requirements for registration and reporting of welfare and benefit plans; provide federal aid for depressed communities in scattered sections of the nation, and raise the minimum wage.

Small Business Unit to Stay

There appears no threat at the coming session to kill off the small Business Administration. As a matter of fact there is a growing conviction in some quarters in Washington that the Small Business Administration may eventually become bigger than the Reconstruction Finance Corporation which Congress killed a few years ago.

Senator J. William Fulbright of Arkansas, Chairman of the Senate Banking and Currency Committee, is planning to introduce an amendment in the new session to broaden the credit of the Small Business Administration. For instance, the economy in some of the agricultural regions of the United States is undergoing a marked recession as a result of the excessive rains at harvest time following drought years.

Many of the counties have been declared disaster areas by President Eisenhower and Secretary of Agriculture Ezra Taft Benson. Therefore, many farmers have been able or are in the process of obtaining loans up to $5,000 through the Department of Agriculture to finance their planting operations for 1958.

However, the farmers are unable to use any of that money to pay the implement dealers, and the banks on the loans and notes they have outstanding. As a result there are many small businessmen and some banks that would like for the farmers to make payments on their notes.

Senator Fulbright and Senator James O. Eastland of Mississippi say they will sponsor an amendment to the Small Business Administration to provide credit to the implement dealers and others in business in agricultural communities that have been indirectly affected by the disasters such as drought, hurricanes and excessive rainfall during harvesttime.

The Natural Gas Industry

The Natural Gas Industry has had another favorable year as far as expansion is concerned. Records of the Federal Power Commission show that the industry has chalked up many thousands of new customers and that sales and overall dollar revenues soared.

The Natural Gas Industry embraces the producers, pipeline companies, the vast distribution system or utility companies. There are about 50,000 miles of lines gathering gas in the fields, and about 155,000 miles of transmission lines in the U. S.

The new Congress may or may not take any action on the Harris-O'Hara bill which would lift federal controls on the natural gas producers. It is anyone's guess at this time what Congress might do with the pending measure. The bill was reported out of the House Interstate Commerce Committee in 1957, but it never reached the floor. It could very well die there.

It is now estimated that the 1,150 gas distribution companies are serving about 30,000,000 customers. Of this total more than 27,000,000 represent residences. The number of new customers is increasing nearly 1,000,000 each year. The natural gas reserves in the United States are big and authorities are confident that new reserves will be added for the future in 1958. The new reserves will include those in the submerged lands, miles from shore.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

A Christmas Message

Bring the candles, light the tree,
There's something Christmas does to me,
It weaves a charm, it casts a spell,
It shares a warmth I cannot tell.
It melts the years with magic art,
It makes me young again in heart;
I long to give where pity pleads,
I think of friends and human needs,
And thrill with joy as from afar
I hear a song and see a star.
Thank God whatever else may be—
For all that Christmas does to me.

—REV. DR. ALFRED GRANT WALTON
Flatbush-Tompkins Congregational Church, Brooklyn

My Christmas message to you this year is best expressed by William Garfield Lightbowne, an old "Chronicle" associate, who wrote to me yesterday:

"The charm of Christmas is in the knowledge it brings that we are not forgotten by our friends."

Truly a sentiment to live with throughout the coming year.

ALEXANDER WILSON
Asst. to Publisher

Chronicle Editorial Office

ESTABLISHED 1839

In 2 Sections—Section 2

The COMMERCIAL and FINANCIAL CHRONICLE

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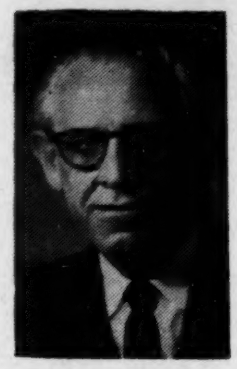

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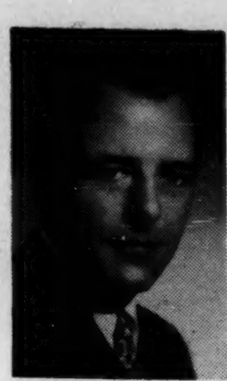
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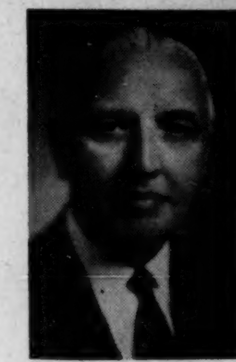
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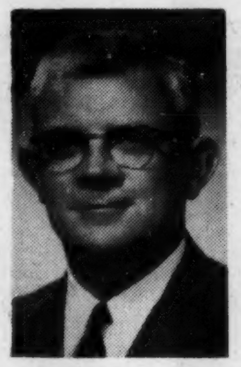

Arthur C. McCall
Alester G. Furman Co., Inc., Greenville, S. C.


Dennis H. McCarthy
The First Boston Corporation, San Francisco


Roderick D. Moore
Branch, Cabell & Co., Richmond, Va.


Dennis E. Murphy
The Ohio Company, Columbus


William C. Porter
Dittmar & Company, Inc., San Antonio


Albert Pratt
Paine, Webber, Jackson & Curtis, Boston


Frank L. Reissner
Indianapolis Bond & Share Corporation, Indianapolis


William S. Renchard
Chemical Corn Exchange Bank, New York


Rudolf Smutny
R. W. Pressprich & Co., New York City


Walter H. Steel
Drexel & Co., New York City


Mark Sullivan, Jr.
Auchincloss, Parker & Redpath Washington, D. C.


Milton R. Underwood
Underwood, Neuhaus & Co., Incorporated, Houston


Bertram M. Wilde
Janney, Dulles & Battles, Inc., Philadelphia

Pictures Taken at 1957 IBA Convention

At Hollywood Beach Hotel, Florida

Mr. & Mrs. Robert H. Craft, *Chase International Investment Corporation*, New York; Mr. & Mrs. W. C. Jackson, *First Southwest Company*, Dallas

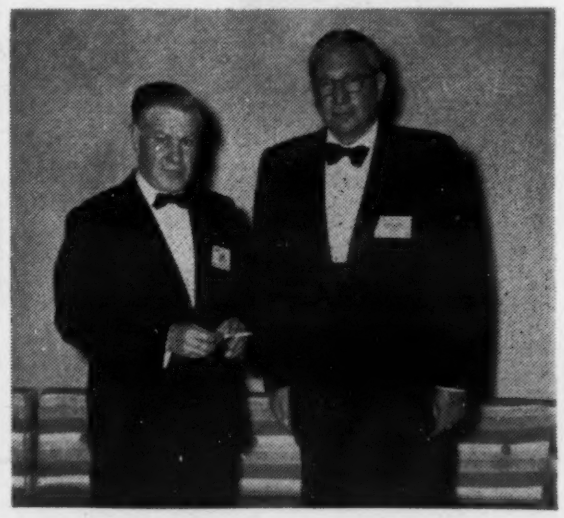
New Officers: William C. Jackson, Jr., *First Southwest Company*, Dallas, Pres.; William M. Adams, *Braun, Bosworth & Co., Inc.*, Detroit; J. Earle Jardine, Jr., *William R. Staats & Co.*, Los Angeles; W. Carroll Mead, *Mead, Miller & Co.*, Baltimore; William H. Morton, *W. H. Morton & Co., Incorporated*, New York, V.-Ps.; William D. Kerr, V.-P., *Bacon, Whipple & Co.*, Chicago not in picture

Mr. & Mrs. Delmont K. Pfeffer, *First National City Bank*, New York

New Governors: Alonzo C. Allen, *Blyth & Co., Inc.*, Detroit; Dana F. Baxter, *Hayden, Miller & Co.*, Cleveland; Curtis H. Bingham, *Bingham, Walter & Hurry, Inc.*, Los Angeles; Charles B. Harkins, *Blyth & Co., Inc.*, San Francisco; C. Edward Howard, *Piper, Jaffray & Hopwood*, Minneapolis; William J. Lawlor, Jr., *Hornblower & Weeks*, Chicago; Mark A. Lucas, Jr., *Lucas, Eisen & Waeckerle, Inc.*, Kansas City; William F. Machold, *Drexel & Co.*, Philadelphia; Arthur C. McCall, *Alester G. Furman Co., Incorporated*, Greenville, S. C.; Roderick D. Moore, *Branch, Cabell & Company*, Richmond; Dennis E. Murphy, *The Ohio Company*, Columbus; Albert Pratt, *Paine, Webber, Jackson & Curtis*, Boston; Frank L. Reissner, *Indianapolis Bond & Share Corporation*, Indianapolis; Walter H. Steel, *Drexel & Co.*, New York, Joseph Ludin, *Dillon, Read & Co., Inc.*, New York, and William S. Renchard, *Chemical Corn Exchange Bank*, New York, not in picture

Mr. & Mrs. William S. Hughes, *Wagenseller & Durst, Inc.*, Los Angeles; Mr. & Mrs. W. Carroll Mead, *Mead, Miller & Co.*, Baltimore

William H. Todd, *Kuhn, Loeb & Co.*, New York; H. Lawrence Parker, *Morgan Stanley & Co.*, New York; Sumner B. Emerson, *Morgan Stanley & Co.*, New York; Robert B. Baldwin, *Morgan Stanley & Co.*, New York



A. Halsey Cook, *First National City Bank of New York*; Richard K. Buechler, *E. F. Hutton & Company*, New York

Mrs. Ewing T. Boles, Columbus, Ohio; Edward Hopkinson, Jr., *Drexel & Co.*, Philadelphia; Mr. & Mrs. Walter A. Schmidt, *Schmidt, Poole, Roberts & Parke*, Philadelphia; Ewing T. Boles, *The Ohio Company*, Columbus, Ohio; Mr. & Mrs. George W. Davis, *Davis, Skaggs & Co.*, San Francisco

Mr. & Mrs. Joseph T. Johnson, *The Milwaukee Company*, Milwaukee; T. Jerrold Bryce, *Clark, Dodge & Co.*, New York; Mr. & Mrs. Julien H. Collins, *Julien H. Collins & Co.*, Chicago

Mr. & Mrs. Thomas A. Larkin, *Goodbody & Co.*, New York; Mr. & Mrs. Frank A. Wood, *Goodbody & Co.*, New York

Delmont K. Pfeffer, *First National City Bank*, New York; Alan K. Browne, *Bank of America, N. T. & S. A.*, San Francisco; John S. Linen, *Chase Manhattan Bank*, New York; Lester H. Empey, *American Trust Company*, San Francisco

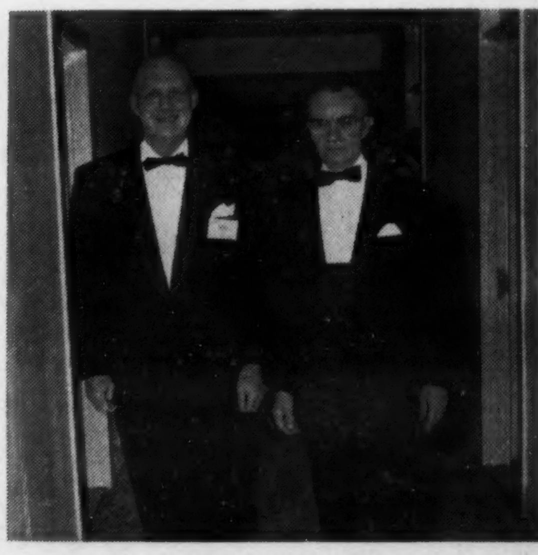
Norman Smith, *Merrill Lynch, Pierce, Fenner & Beane*, New York; Mrs. Lester H. Empey, San Francisco; Mrs. Norman Smith, New York; Lester H. Empey, *American Trust Company*, San Francisco

Charles W. Easter, *Blyth & Co., Inc.*, Seattle; Alonzo C. Allen, *Blyth & Co., Inc.*, Detroit; Charles B. Harkins, *Blyth & Co., Inc.*, San Francisco; Donald N. McDonnell, *Blyth & Co., Inc.*, New York; Edward H. Robinson, *Schwabacher & Co.*, New York; Edward Glassmeyer, *Blyth & Co., Inc.*, New York

David W. Hunter, *McKelvy & Company*, Pittsburgh; W. Bruce McConnel, Jr., *Singer, Deane & Scribner*, Pittsburgh; Frank H. Hunter, *McKelvy & Company*, Pittsburgh; Charles N. Fisher, *Singer, Deane & Scribner*, Pittsburgh; Rollin C. Bush, *First National City Bank*, New York

R. S. Reynolds, Jr., *Reynolds Metals Company*; John Krey, *Reynolds Metals Company*

W. G. Lerchen, *Watling, Lerchen & Co.*, Detroit; Henry Earle, *First of Michigan Corporation*, Detroit; Walter E. Morse, *Lehman Brothers*, New York; Robert L. Thayer, *Lehman Brothers*, New York; David H. Callaway, *First of Michigan Corporation*, New York; E. Jansen Hunt, *White, Weld & Co.*, New York; Frank McCormack, *H. Hentz & Co.*, New York

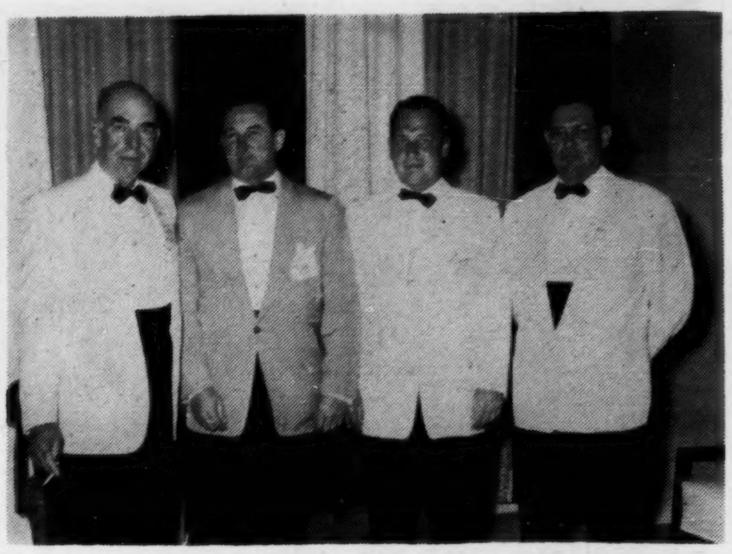


Milton J. Hayes, *American National Bank & Trust Company*, Chicago; James H. Clarke, *American National Bank & Trust Company*, Chicago

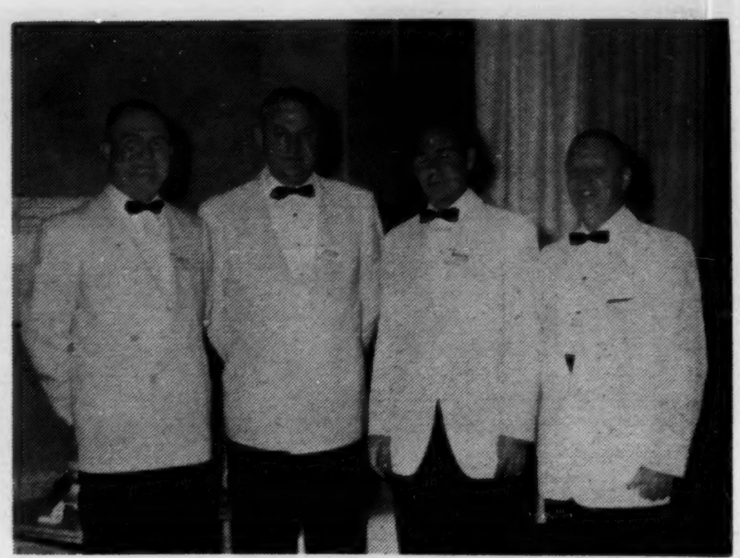
James A. Day, *Midwest Stock Exchange*, Chicago; Francis B. Bowman, *Chase National Bank of New York*; Buford Scott, *Scott & Stringfellow*, Richmond, Va.; Edward C. Gray, *New York Stock Exchange*, New York City; Charles W. Fay, *Hooker & Fay*, San Francisco; Eaton Taylor, *Dean Witter & Co.*, San Francisco

Murray Hanson, *Investment Bankers Association of America*, Washington, D. C.; William D. Kerr, *Bacon, Whipple & Co.*, Chicago; Allen C. DuBois, *Wertheim & Co.*, New York; Ralph E. Phillips, *Dean Witter & Co.*, Los Angeles

Retiring President, Robert H. Craft, *Chase International Investment Corporation*, New York City, presenting Presidential Button to Incoming President, William C. Jackson, Jr., *First Southwest Company*, Dallas



Charles F. Eaton, Jr., *Eaton & Howard*, Boston; Nelson Loud, *F. Eberstadt & Co.*, New York; Craig Severance, *F. Eberstadt & Co.*, New York; Julian A. Space, *Johnson, Lane, Space and Co.*, Savannah, Ga.

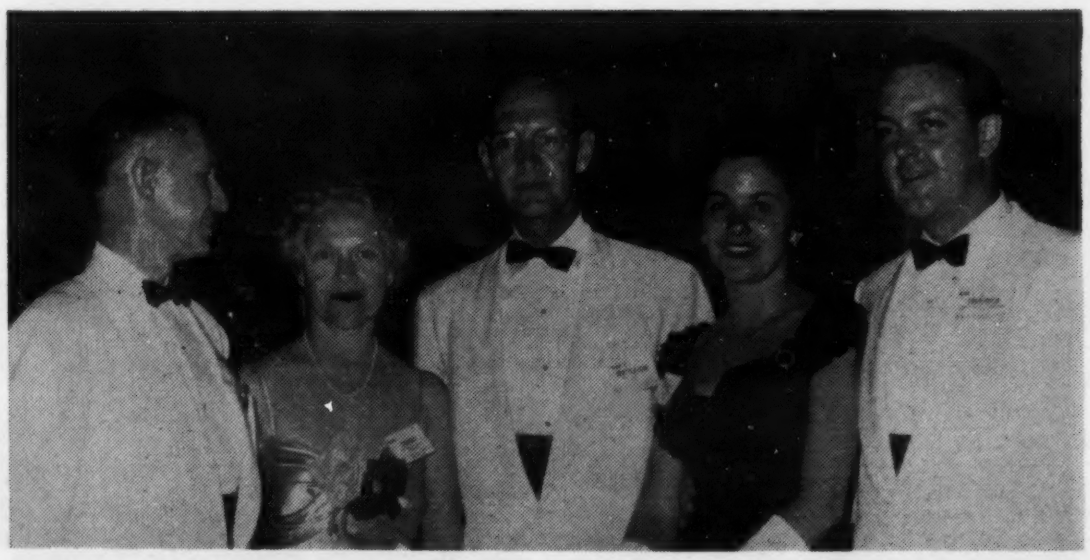


Mark A. Lucas, Jr., *Lucas, Eisen & Waeckerle*, Kansas City, Mo.; Lockett Shelton, *Republic National Bank*, Dallas; Harold E. Waeckerle, *Lucas, Eisen & Waeckerle*, Kansas City, Mo.; Thomas G. Hilborne, *Liberty National Bank & Trust Company*, Oklahoma City

John Latshaw, *E. F. Hutton & Company*, Kansas City, Mo.; Theodore C. Sheaffer, *Janney, Dulles & Battles, Inc.*, Philadelphia; Mrs. John Latshaw; H. Frank Burkholder, *Equitable Securities Corporation*, Nashville; Mr. & Mrs. Hugh W. Long, *Hugh W. Long & Co., Inc.*, Elizabeth, N. J.

Mr. & Mrs. Alan K. Browne, *Bank of America, N. T. & S. A.*, San Francisco; Albert E. Schwabacher, Jr., *Schwabacher & Co.*, San Francisco; Mr. & Mrs. Fred D. Stone, Jr., *Marine Trust Company of Western New York*, New York City

Mrs. W. C. Jackson, Jr., Dallas

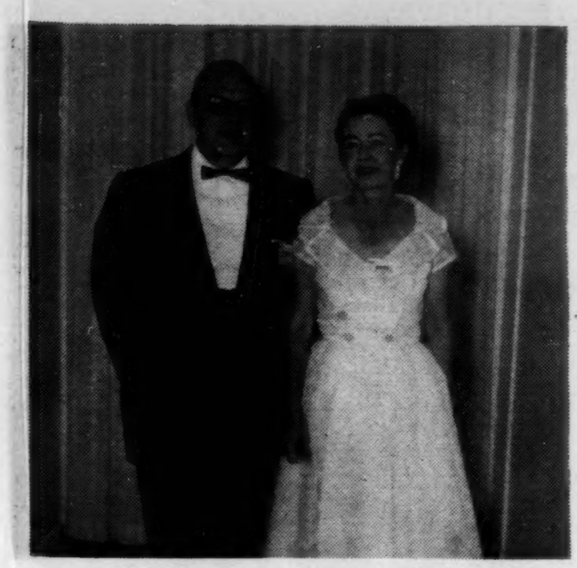


Mr. & Mrs. Walter W. Craigie, *F. W. Craigie & Co.*, Richmond, Va.; William H. Watterson, *Fahey, Clark & Co.*, Cleveland; Mr. & Mrs. John E. Froehlich, *Walter, Woody & Heimerdinger*, Cincinnati

Robert Stevenson, *Investment Bankers Association of America*, Washington, D. C.; Mr. G. S. Trimble, *Martin Co.*, Baltimore; Erwin W. Boehmler, *Investment Bankers Association of America*, Washington, D. C.

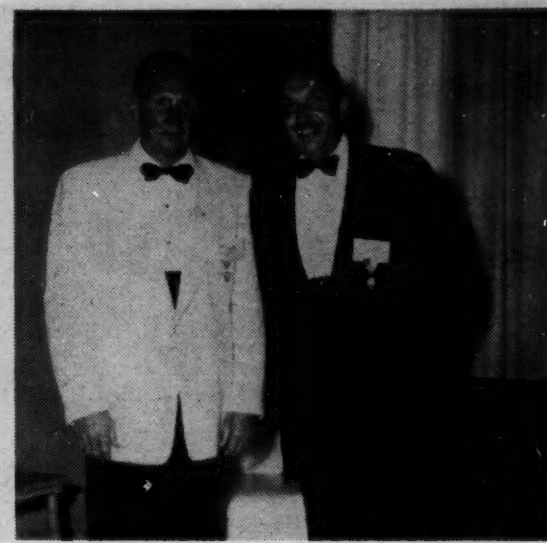
Robert B. Harkness, *Dwinnell, Harkness & Hill*, Boston; Anthony E. Tomasic, *Thomas & Co.*, Pittsburgh; Paul L. Mullaney, *Mullaney, Wells & Co.*, Chicago; Mrs. Anthony E. Tomasic; Charles M. Miller, *Mullaney, Wells & Co.*, Chicago; Charles L. Bergmann, *R. W. Pressprich & Co.*, New York

Mr. & Mrs. William R. Barrow, *Barrow, Leary & Co.*, Shreveport; Mr. & Mrs. Jack Dillard, *Beecroft Cole & Co.*, Kansas City, Mo.; Mr. & Mrs. Lawrence Bogert, Jr., *Eastman Dillon, Union Securities & Co.*, New York



Mr. & Mrs. James V. Jacques, *First Southwest Company*, Dallas

Ward C. Pitfield, *W. C. Pitfield & Co.*, New York; Andrew S. Beaubien, *L. G. Beaubien & Co.*, Montreal; John E. Wiley, *Gairdner & Co.*, New York; George C. MacDonald, *McLeod, Young, Weir, Inc.*, New York; R. H. Dean, *Nesbitt, Thomson & Co.*, Montreal



John C. Egan, *First California Company*, San Francisco; J. Emerson Thors, *Kuhn, Loeb & Co.*, New York

Mr. & Mrs. Robert Jameson, *Pohl & Co.*, Cincinnati; Mr. & Mrs. Byron C. Foster, *Westheimer & Company*, Cincinnati; Mr. & Mrs. Curtis H. Bingham, *Bingham, Hurry & Walter*, Los Angeles

Mr. & Mrs. Gerald P. Peters, *Peters, Writer & Christensen, Inc.*, Denver; James M. Powell, *Boettcher and Company*, Denver; Mr. & Mrs. Graham Walker, *McManus & Walker*, New York

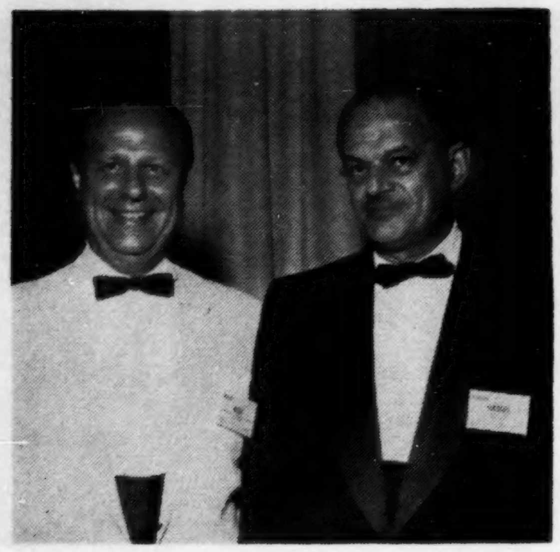
Mr. & Mrs. Robert M. Gardiner, *Reynolds & Co.*, New York; Mr. & Mrs. Robert H. Howard, *Reynolds & Co.*, New York

Mrs. Kelton E. White, St. Louis; Mr. & Mrs. Albert E. Schmelzle, *Fusz-Schmelzle & Co.*, St. Louis; Mrs. Harry Theis, St. Louis

Stevens G. Manning, *Paine, Webber, Jackson & Curtis*, Los Angeles; Mr. & Mrs. Albert C. Purkiss, *Walston & Co.*, New York

Mr. & Mrs. Ed W. Franklin, *Dittmar & Company*, Dallas; Leo L. Quist, *Harold E. Wood & Co.*, St. Paul; Mr. & Mrs. Milton F. Lewis, *A. G. Becker & Co., Incorporated*, New York; William C. Porter, *Dittmar & Company*, San Antonio

Mr. & Mrs. J. W. Means, *First Southwestern Corporation*, Atlanta; C. Merritt Coleman, *Allen & Company*, New York City; Ted C. Henderson, *T. C. Henderson & Co., Inc.*, Des Moines, Iowa; Laurence H. Lyons, *Allen & Company*, New York



Edwin L. Beck, *Commercial & Financial Chronicle;* Douglas Hansel, *Shields & Company,* New York

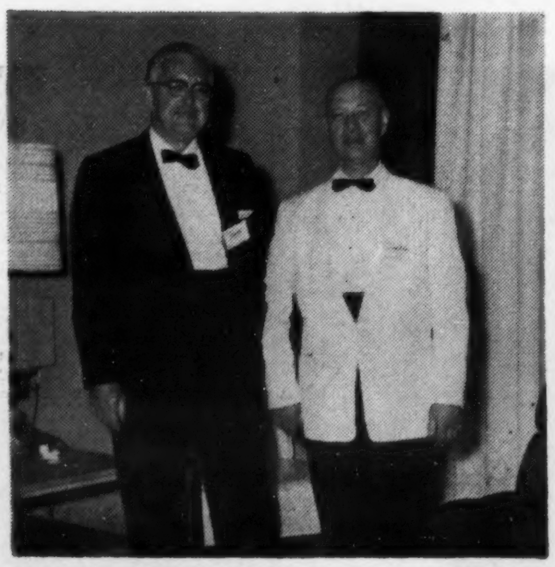
Mr. & Mrs. Milton S. Trost, *Stein Bros. & Boyce,* Louisville; Mrs. Frank H. Morse, *Lehman Brothers,* New York; L. G. Haugen, guest; Mr. & Mrs. Z. P. Giddens, guests

Mrs. Lester H. Empey, San Francisco; Kevin Lyons, Lyons & Shafto, Boston

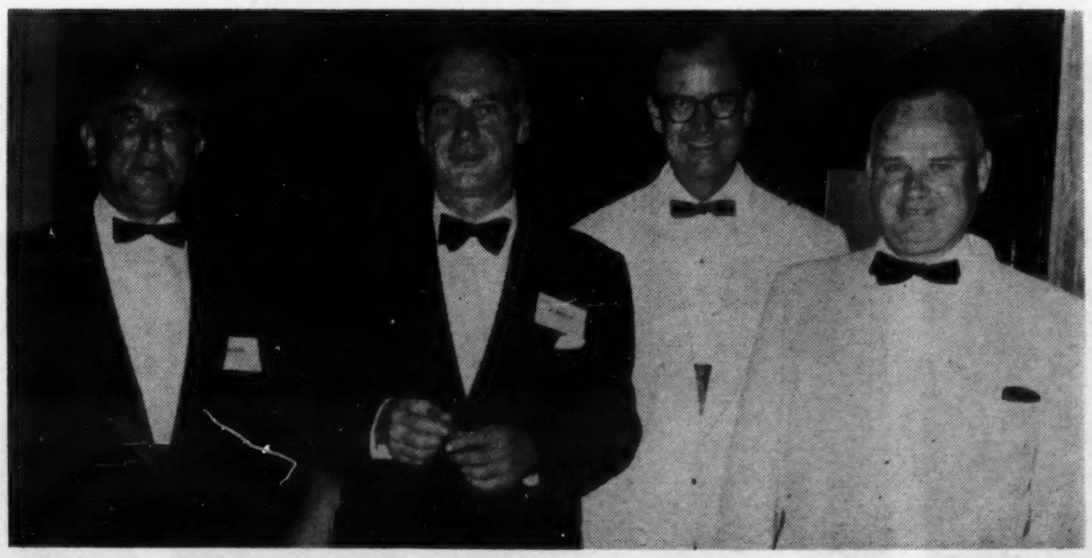
Lloyd Clearihue, *A. E. Ames & Co., Inc.,* Boston; Nan Davis, San Francisco; R. Michael Charters, *Association of New York Stock Exchange Firms,* New York City

Egerton B. Vinson, *De Haven & Townsend, Crouter & Bodine,* Philadelphia; C. Ivor Murray, *Nesbitt, Thomson & Co.,* New York; J. A. Kingsmill, *Investment Dealers Association of Canada,* Toronto

Frank J. Brophy, *R. S. Dickson & Co., Inc.,* New York; John W. Reno, *Carl M. Loeb, Rhoades & Co.,* New York; Edward J. Costigan, *Edward D. Jones & Co.,* St. Louis



H. Stanley Krusen, *Shearson, Hammill & Co.,* New York; Floyd F. Stansberry, *Bankers Trust Company,* New York



Leo Mendel, *Manufacturers Trust Company,* New York; Frank T. Kennedy, *C. J. Devine & Co.,* New York; William S. Morrison, Jr., *Harris Trust & Savings Bank,* Chicago; E. J. Altgelt, Jr., *Harris Trust & Savings Bank,* New York City

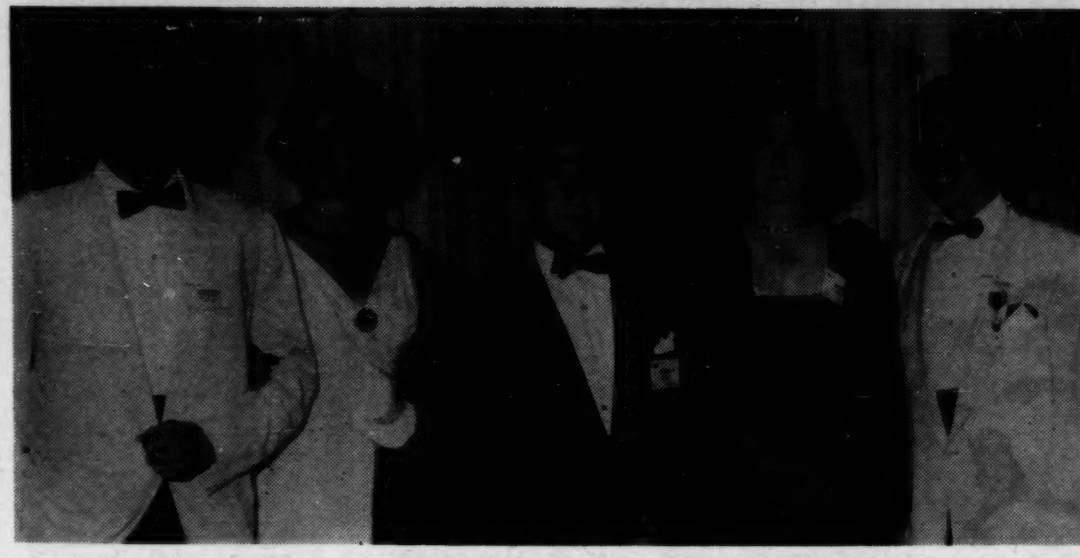
John L. Ahbe, *Distributors Group, Incorporated,* New York: Mrs. Bernardine Simonds McEvoy, Detroit; Matthew J. Hickey III, *Hickey & Co.,* Chicago

Robert F. Scebeck, *Hemphill, Noyes & Co.,* New York City; C. Anderson McLeod, *Chemical Corn Exchange Bank,* New York; Robert A. W. Brauns, *McDonnell & Co.,* New York; J. Hindon Hyde, *Henry Herrman & Co.,* New York

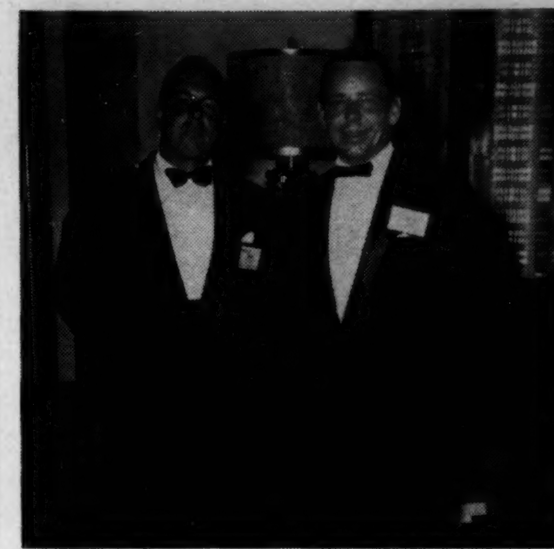
Henry A. Rademaker, *Equitable Securities Corporation,* New York; William J. Anderson, Jr., *Equitable Securities Corporation,* Nashville; James E. Roddy, *Scharff & Jones, Inc.,* New Orleans; Frank E. Carter, Jr., *Equitable Securities Corporation,* New York

John S. Loomis, *The Illinois Company,* Chicago; Carl C. Brown, *Laurence M. Marks & Co.,* New York; Edward K. Hardy, Jr., *The Illinois Company,* Chicago; Nelson D. Ginther, *Ginther & Co.,* Cleveland

Mr. & Mrs. Claude W. Wilhide, *Baker, Watts & Co.*, Baltimore



Mr. & Mrs. James F. Keresey, *Baker, Weeks & Co.*, New York; Mr. & Mrs. Gilbert White, *R. D. White & Co.*, New York; Walter W. Craigie, *F. W. Craigie & Co.*, Richmond, Va.



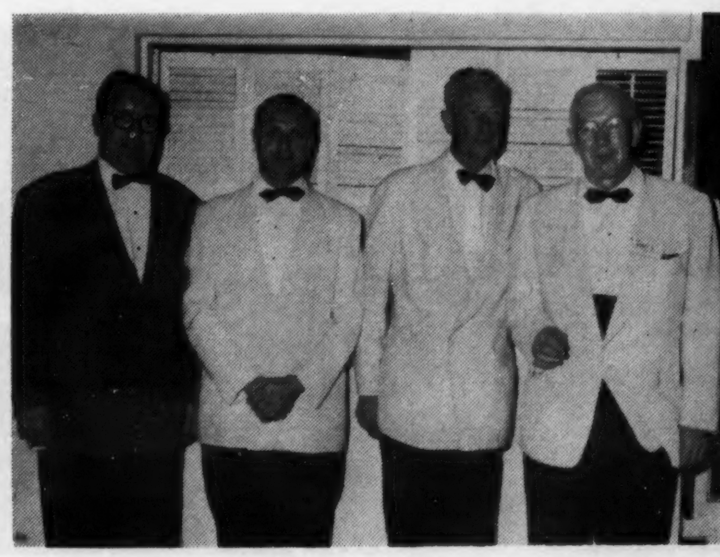
Howard B. Dean, *Harris, Upham & Co.*, New York; Andrew J. Lord, Jr., *Eaton & Howard, Inc.*, Boston

Chandler Robbins, *M. A. Schapiro & Co.*, New York; Morris A. Schapiro, *M. A. Schapiro & Co.*, New York; Wilson A. Britten, *Calvin Bullock, Ltd.*, New York; Francis Goodhue III, *Calvin Bullock, Limited*, Philadelphia; Ernest E. Keusch, *W. E. Hutton & Co.*, New York; George R. Waldmann, *Mercantile Trust Company*, New York; Thomas C. Cafone, *W. E. Hutton & Co.*, New York

Robert C. Matthews, Jr., *Trust Company of Georgia*, Atlanta; Mr. & Mrs. Walter J. Creely, *Goldman, Sachs & Co.*, St. Louis; Mr. & Mrs. William S. Hildreth, *Peoples National Bank*, Charlottesville, Va.; Mr. & Mrs. Hunter Breckenridge, *McCourtney-Breckenridge & Co.*, St. Louis; William W. Hibberd, *Trust Company of Georgia*, New York City

F. Vincent Reilly, *Commercial & Financial Chronicle*, New York; Arnold J. Kocurek, *Rauscher, Pierce & Co.*, San Antonio; Henry L. Harris, *Goldman, Sachs & Co.*, New York; Taylor B. Almon, *Rauscher, Pierce & Co.*, Dallas

Garrett H. Taylor, *Wood, Gundy & Co., Inc.*, New York; James D. Hannaford, *Dawson, Hannaford Inc.*, New York; Mrs. George C. MacDonald, New York; B. D. Firstbrook, *Greenshields & Co.*, New York



Edward J. Meyers, *Laidlaw & Co.*, New York; John C. Clark, *Wachovia Bank & Trust Company*, Winston-Salem, N. C.; Eugene G. McMahon, *J. Barth & Co.*, New York; W. Olin Nisbet, Jr., *Interstate Securities Corporation*, Charlotte, N. C.

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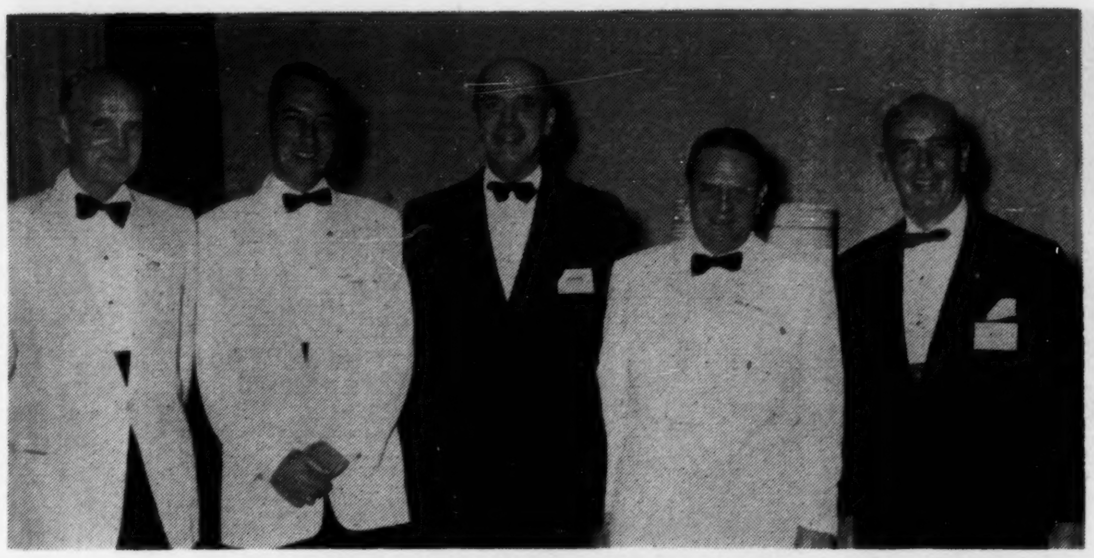
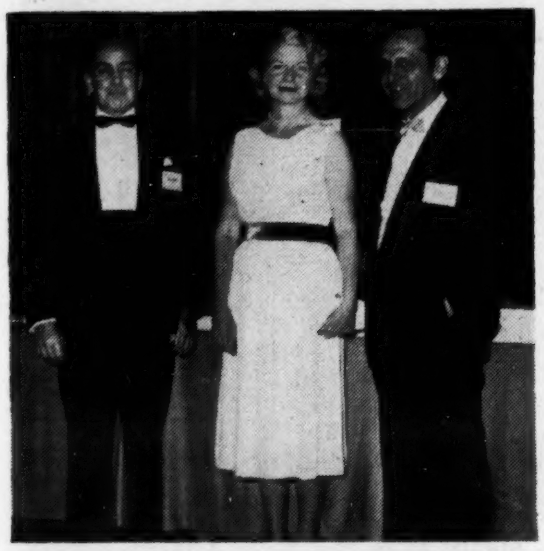
Irving H. Campbell, *Bell, Gouinlock & Co.*, Toronto; Jeanette Campbell, Toronto; Harold G. Jarvis, *A. E. Ames & Co., Inc.*, New York



Henry S. Lynn, *Sterne, Agee & Leach*, Birmingham; Hudson B. Lemkau, *Morgan Stanley & Co.*, New York; Quitman R. Ledyard, *Equitable Securities Corporation*, Nashville; David Van Alstyne, Jr., *Van Alstyne, Noel & Co.*, New York; Bertram M. Wilde, *Janney, Dulles & Battles*, Philadelphia

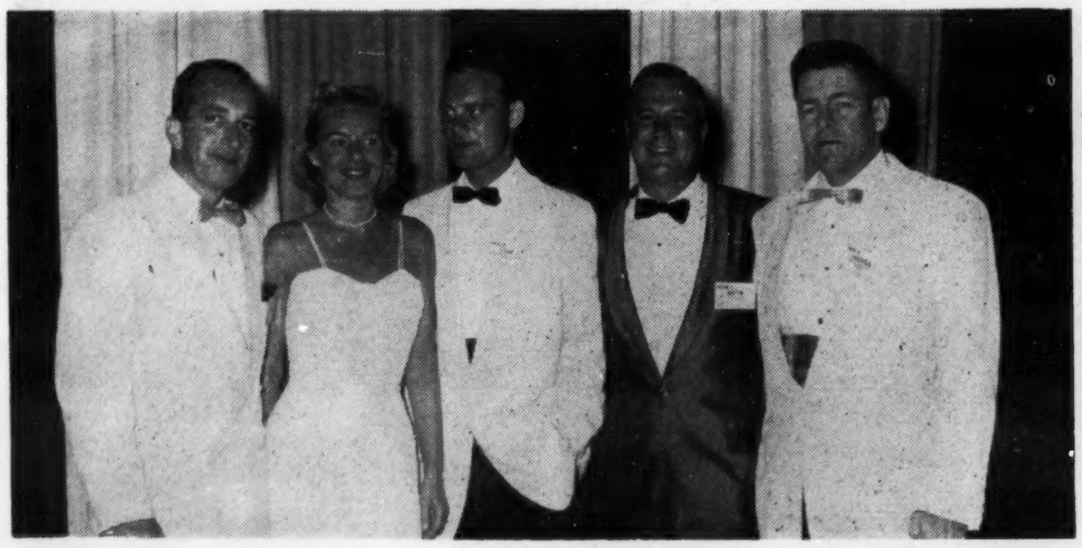
Wildes W. Veazie, *Mabon & Co.*, New York; Mark A. Lucas, Jr., *Lucas, Eisen & Waeckerle*, Kansas City, Mo.



C. W. MacLean, *Gairdner & Company Ltd.*, Toronto; Mr. & Mrs. Fred W. Hudson, *Ball, Burge & Kraus*, Cleveland

Arthur J. C. Underhill, *Arthur Wiesenberger & Co.*, New York; Mr. & Mrs. Thorburn Rand, *Rand & Co.*, New York

Arthur C. Robinson, *Wertheim & Co.*, New York City; Rollin C. Bush, *First National City Bank*, New York

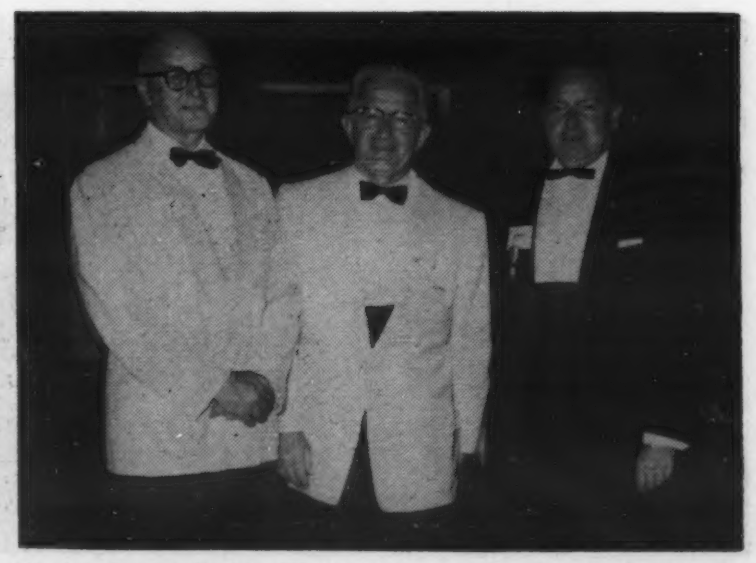


Mr. & Mrs. Miles A. Watkins, *Stubbs, Smith & Lombardo*, Birmingham; Harold W. Clark, *Clark, Landstreet & Kirkpatrick*, Nashville; William M. Witter, *Dean Witter & Co.*, Chicago; Frank A. Chisholm, *Varnedoe, Chisholm & Co.*, Savannah, Ga.

Mr. & Mrs. Charles M. Werly, *George Putnam Fund*, Boston; Ralph Fordon, *Fordon, Aldinger & Co.*, Detroit; Edward D. Jones, *Edward D. Jones & Co.*, *St. Louis*; Mrs. Richard A. Buck, Boston; George Putnam, Jr., *George Putnam Fund*, Boston

Ernest O. Dorbritz, *Moore, Leonard & Lynch*, Pittsburgh; Mr. & Mrs. Thomas Lynch III, *Moore, Leonard & Lynch*, Pittsburgh; John M. R. Morton, Jr., *National Securities & Research Corp.*, New York

Russell M. Ergood, *Stroud & Company, Incorporated*, Philadelphia; James S. Abrams, *Allen & Company*, New York; T. Anthony Coculo, *Fidelity Philadelphia Trust Company*, Philadelphia



Charles A. Capek, *Lee Higginson Corporation*, Chicago; Elvin K. Popper, *I. M. Simon & Co.*, St. Louis; Bert F. Horning, *Dempsey-Tegeler & Co.*, St. Louis

Earle Gatchell, *Hayden, Stone & Co.*, New York; John W. Bunn, *Stifel, Nicolaus & Company, Incorporated*, St. Louis; Neil M. Holt, *J. P. Morgan & Co.*, New York

Arthur P. Quinn, *Quinn & Co.*, Albuquerque, N. Mex.; Beverly B. Munford, *Davenport & Co.*, Richmond, Va.; John R. Gardner, *Reinholdt & Gardner*, St. Louis; Edward B. De Selding, *Spencer Trask & Co.*, New York; Newell S. Knight, *Mercantile Trust Company*, St. Louis; William S. Lawlor, Jr., *Hornblower & Weeks*, Chicago

George de B. Bell, *Drexel & Co.*, Philadelphia; Milton R. Underwood, *Underwood, Neuhaus & Co.*, Houston; William F. Machold, *Drexel & Co.*, Philadelphia

Mrs. John J. Kenny, *J. J. Kenny & Co.*, New York City; Mr. & Mrs. Edwin B. Horner, *Scott, Horner & Co.*, Lynchburg, Va.; Mrs. Monroe V. Poole, New York

Mr. & Mrs. S. L. Sholley, *Keystone Company of Boston*, Boston; Mr. & Mrs. Frederic C. Beil, Jr., *Beil & Hough*, St. Petersburg, Fla.; Arthur Horton, *Penington, Colket & Co.*, Philadelphia

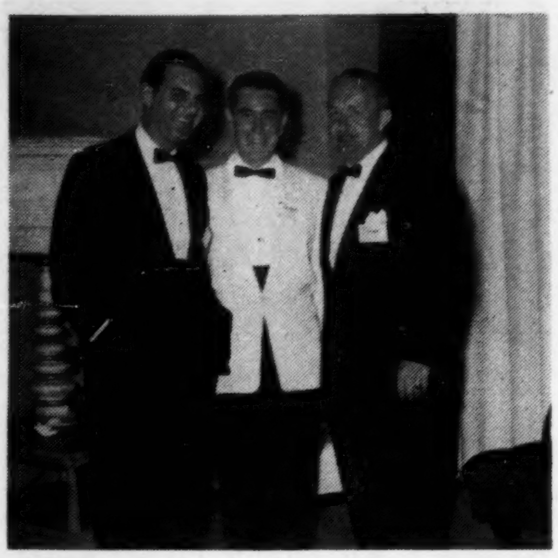
Mr. & Mrs. Edward D. Muir, *Muir Investment Corp.*, San Antonio; Mr. & Mrs. Edward B. Wulbern, *Pierce, Carrison, Wulbern, Inc.*, Jacksonville

Mr. & Mrs. Richard G. Murphy, *B. J. Van Ingen & Co., Inc.*, New York; Francis I. Cunningham, *Kidder, Peabody & Co.*, New York; John L. Gaerste, *Cooley & Co.*, Hartford, Conn.

Mr. & Mrs. Weldon Doe, Jr., *Seller, Doe & Bonham*, Montgomery; Robert R. Brinker, *John Nuveen & Co.*, Chicago; Mr. & Mrs. Eugene H. Lear, *Reed, Lear & Co.*, Pittsburgh

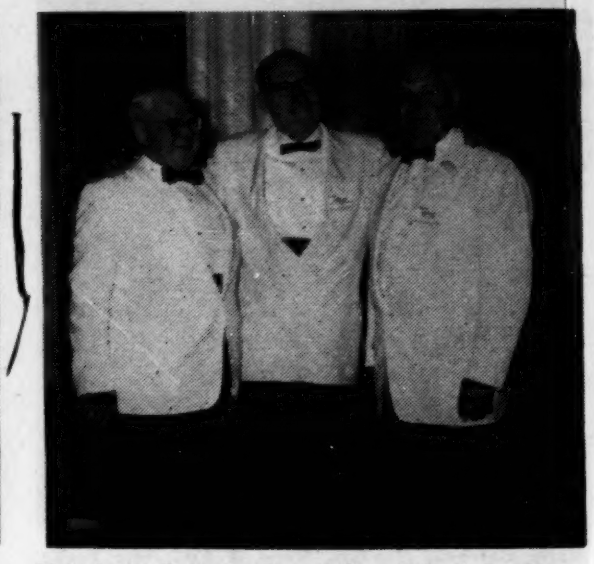
Mr. & Mrs. W. L. Lyons, Jr., *W. L. Lyons & Co.*, Louisville, Ky.; Mr. & Mrs. Jesse A. Sanders, *Sanders & Company*, Dallas

Mr. & Mrs. Philip F. McLellan, *Massachusetts Life Fund Distributors*, Boston; Mr. & Mrs. Albert T. Armitage, *Coffin & Burr, Inc.*, Boston



Arthur Gray, Jr., *A. M. Kidder & Co.*, New York; Edwin A. Bueltman, *Blair & Co., Incorporated*, New York; Edmund G. O'Leary, *Eastman Dillon, Union Securities & Co.*, New York

Murray F. Brown, *C. F. Childs & Co.*, New York City; Frederick C. Beil, Jr., *Beil & Hough*, St. Petersburg, Fla.; Elwood D. Boynton, *C. F. Childs & Co.*, New York City; H. S. Parker, *Kay Richards & Co.*, Pittsburgh; Raymond H. Heiskell, *C. F. Childs & Co.*, New York; Kevin Lyons, *Lyons & Shafto*, Boston



Malcolm F. Roberts, *Garrett-Bromfield & Co.*, Denver; E. Lynn Crossley, *Municipal Finance Officers Association*, Dallas; S. Whitney Bradley, *Eaton & Howard*, Boston

William G. Hobbs, Jr., *Creston H. Funk, Hobbs & Co.*, San Antonio; James M. Powell, *Boettcher and Company*, Denver; Creston H. Funk, *Creston H. Funk, Hobbs & Co.*, San Antonio

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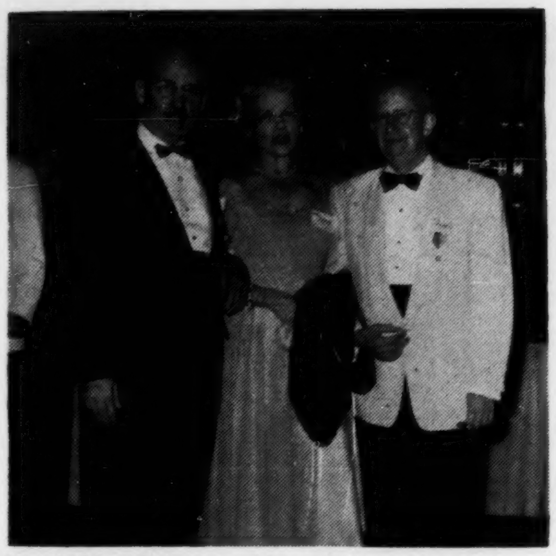

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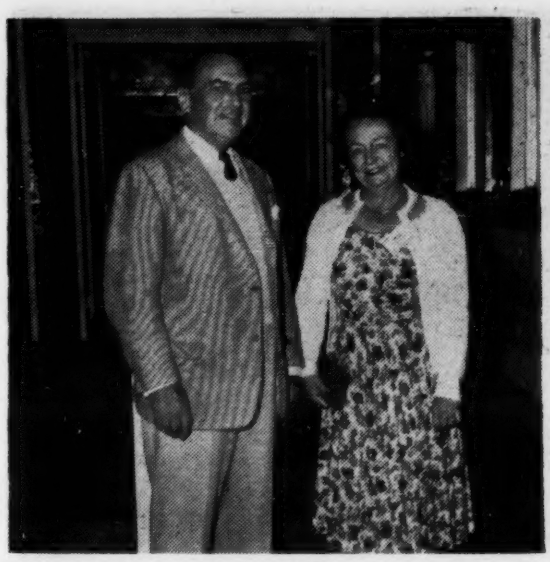

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Membership Committee Breakfast Meeting

Public Utility Securities Committee Breakfast Meeting

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P. Fred Fox, *P. F. Fox & Co., Inc.*, New York City; Miss Henrietta Fox; Mrs. Jerry Fox; Mindy Louise Fox; Howard M. Fox

Mr. & Mrs. Charles A. Parcells, Jr., *Charles A. Parcells & Co.*, Detroit

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Mr. & Mrs. Maurice Meyer, *Hirsch & Co.*, New York; Mr. & Mrs. Daniel T. Pierce, *Hirsch & Co.*, New York

State Legislation Committee

Syndicate Committee Breakfast Meeting

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Arnold M. Peck, *Dominick & Dominick*, New York; Mr. & Mrs. Thomas Lynch III, *Moore, Leonard & Lynch*, Pittsburgh; James E. Osborn II, *Dominick & Dominick*, New York

Curtis L. Anderson, *Blair & Co., Incorporated*, New York; Edwin A. Bueltman, *Blair & Co. Incorporated*, New York; Mr. & Mrs. William G. Simpson, *Simpson, Emery & Co.*, Pittsburgh; Mr. & Mrs. Marshall Johnson, *McDaniel Lewis & Co.*, Greensboro, N. C.

Henry R. Hallowell, *Hallowell, Sulzberger & Co.*, Philadelphia; Joseph W. Sener, *John C. Legg & Company*, Baltimore; James H. Lemon, *Johnston, Lemon & Co.*, Washington, D. C.; William F. Gliss, Jr., *John C. Legg & Company*, Baltimore; Edwin B. Horner, *Scott, Horner & Co.*, Lynchburg, Va.; Edwin B. Horner, Jr., *Scott, Horner & Co.*, Lynchburg, Va.; Robert King, Jr., *First Securities Corporation*, Durham, N. C.

Robert O'Keef, *The Marshall Company*, Milwaukee; Thomas L. Ralph, *Fidelity Philadelphia Trust Company*, Philadelphia; Virgil Sherrill, *Shields & Company*, New York; Frank L. Newburger, *Newburger & Co.*, Philadelphia; Albert W. Whittlesey, *First Pennsylvania Banking & Trust Co.*, Philadelphia; Malvern Hill, *Malvern Hill & Co.*, New York

Mr. & Mrs. B. W. Lucas, *Fort Worth National Bank*, Ft. Worth; Mr. & Mrs. Philip J. Rhoads, *First National Bank & Trust Co.*, Oklahoma City; Harold E. Waeckerle, *Lucas, Eisen & Waeckerle*, Kansas City, Mo.; Mrs. John H. Edwards, Oklahoma City; Victor Zahner, *Zahner and Company*, Kansas City, Mo.

Group Chairmen's Committee Breakfast Meeting

Industrial Securities Committee Breakfast Meeting

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Mr. & Mrs. Pat G. Morris, *Northern Trust Company*, Chicago; Milton G. Hulme, *Hulme, Humphrey & Applegate, Inc.*, Pittsburgh; John E. Fricke, *Bache & Co.*, Philadelphia; Francis P. Gallagher, *Kidder, Peabody & Co.*, New York

William H. Morton, *W. H. Morton & Co.*, New York; J. Howard Carlson, *Carl M. Loeb, Rhoades & Co.*, New York

Joseph A. Glynn, Jr., *Blewer, Glynn & Co.*, St. Louis; Walter H. Steel, *Drexel & Co.*, New York; Mr. & Mrs. Allan Blair, *Allan Blair & Co.*, Chicago; Frederick W. Channer, *Channer Securities Co.*, Chicago; Paul E. Youmans, *Bosworth, Sullivan & Co.*, Denver

Mr. & Mrs. J. M. Maxwell, *The Northern Trust Company*, Chicago; Stanley McKie, *Weil, Roth & Irving Co., Cincinnati;* Daniel O'Day, *The Northern Trust Company*, Chicago; P. A. Bergquist, *First National Bank of Chicago;* Edward C. George, *Harriman Ripley & Co., Inc.*, Chicago

Paul Wren, *U. S. Treasury Department*, Washington, D. C.; Charles L. Hewitt, *Francis I. du Pont & Co.*, New York; C. T. Williams, Jr., *C. T. Williams & Co.*, Baltimore

George K. Coggeshall, *Schoellkopf, Hutton & Pomeroy*, New York; J. Raymond Smith, *Weeden & Co.*, New York; Graham Jones, *Cooley & Co.*, Hartford

Kellogg Logsdon, *Farwell, Chapman & Co.*, Chicago; James M. Howe, *Farwell, Chapman & Co.*, Chicago; Harold H. Cook, *Spencer Trask & Co.*, New York

Invest in America Committee Breakfast Meeting

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Lee H. Ostrander, *William Blair & Company*, Chicago; Roderick D. Moore, *Branch, Cabell & Co.*, Richmond; Clifford P. McKinney, *G. H. Walker & Co.*, St. Louis; H. Lawrence Parker, *Morgan Stanley & Co.*, New York; Gus G. Halliburton, *Equitable Securities Corporation*, Nashville; Clement A. Evans, *Clement A. Evans & Company, Inc.*, Atlanta

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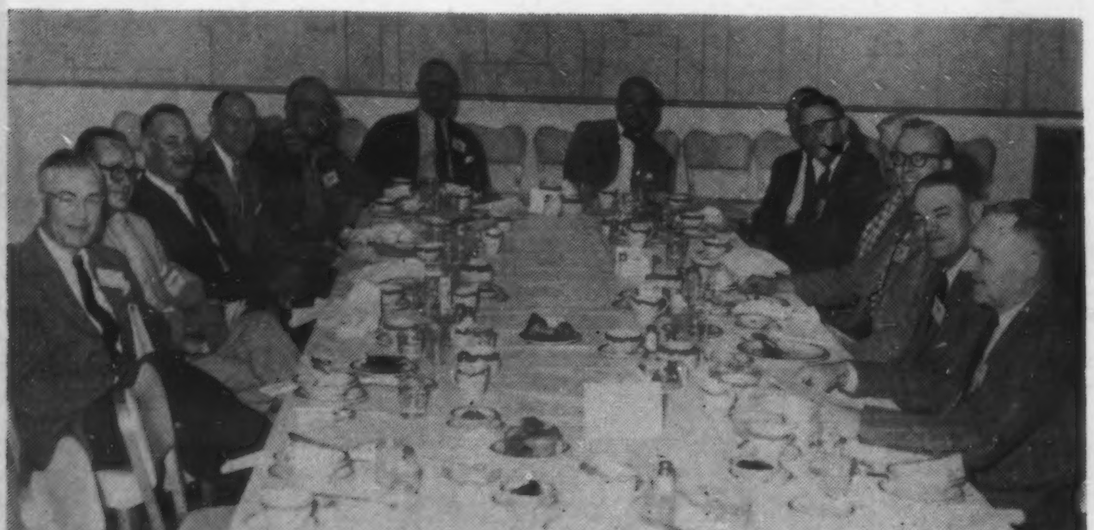

Federal Securities Acts Committee Breakfast Meeting

Investment Companies Committee Breakfast Meeting

John Wasserman, *Asiel & Co.,* New York; Gilbert H. Wehmann, *White, Weld & Co.,* New York; Robert Blyth, *National City Bank,* Cleveland; George Kneass, *Philadelphia National Bank,* Philadelphia

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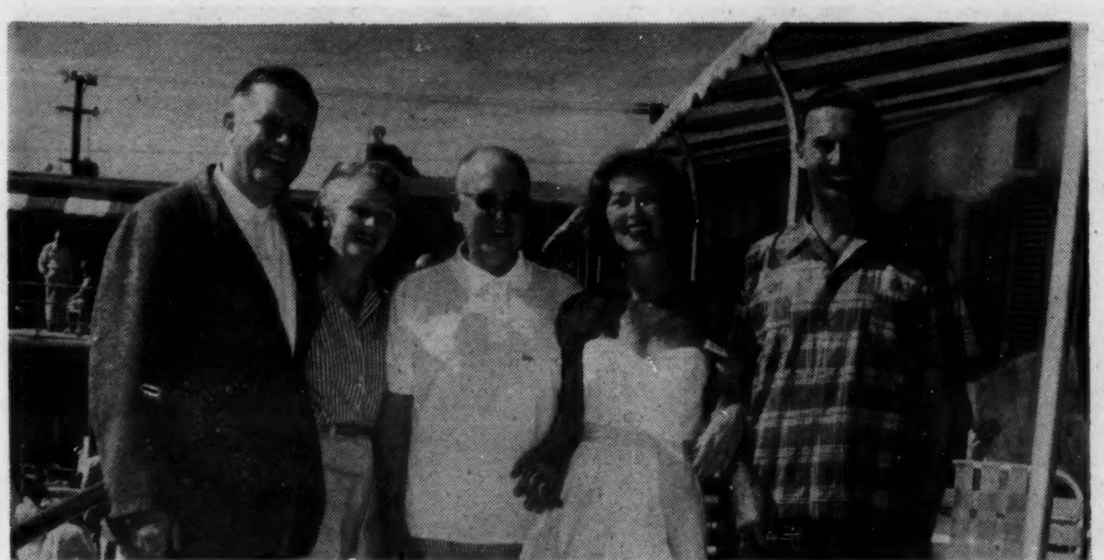

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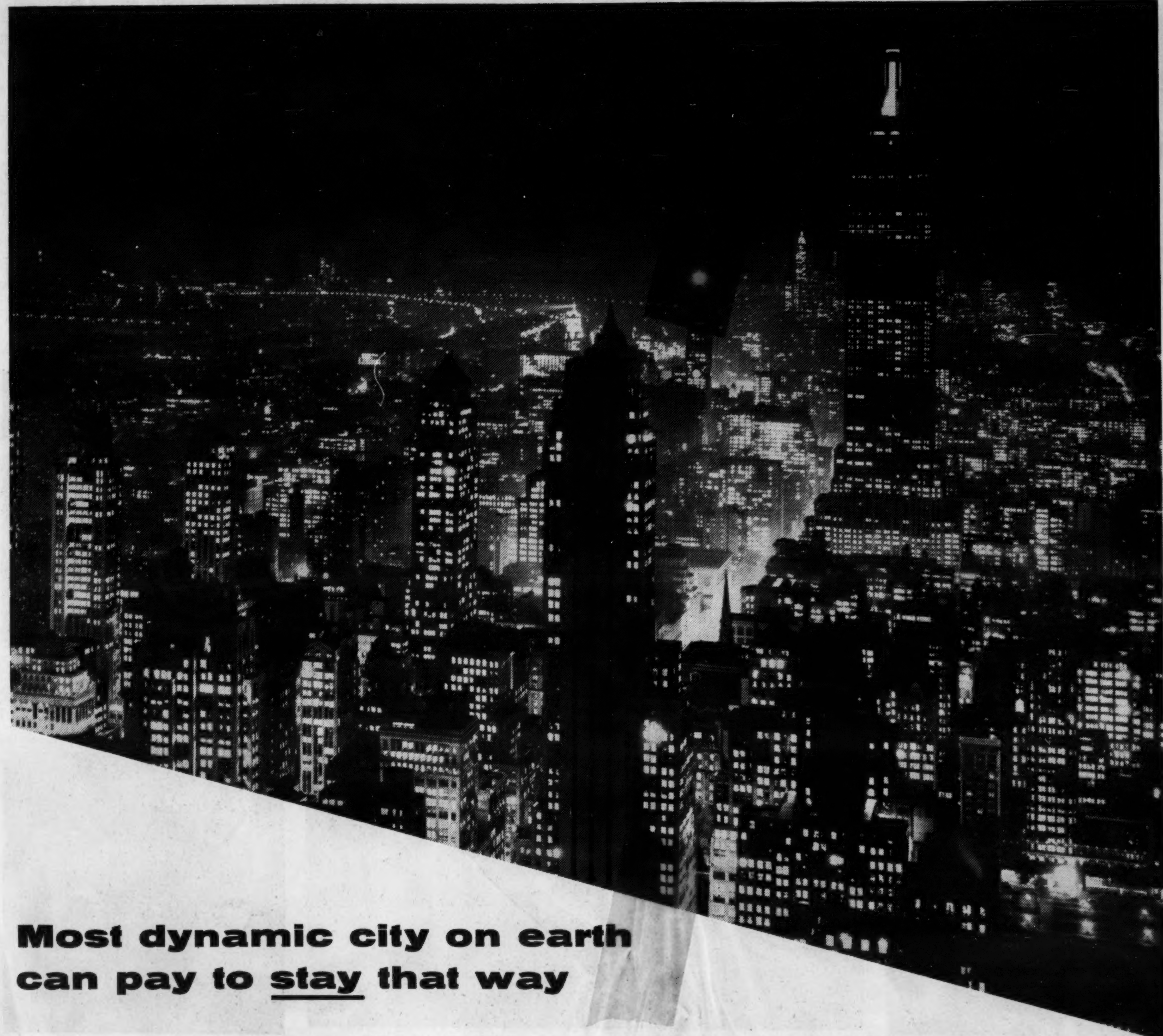

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